

**ITEM 1:  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**HAVELI INVESTMENT MANAGEMENT LLC**

1303 San Antonio Street, Suite 700, Austin, TX 78701

March 31, 2023

512-987-7314

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## **ITEM 2: MATERIAL CHANGES**

This brochure dated March 31, 2022 serves as an update to the brochure submitted by Haveli (as defined in Item 4) on November 17, 2022. Items 4, 5, 8, 10, 11, 12, and 14 have been updated to reflect the risks relevant to an additional investment strategy being offered by certain Haveli affiliates as well as potential conflicts of interest relating to the investment activities of certain Haveli personnel, affiliates and service providers. In addition, Haveli routinely makes updates to improve and clarify the description of its business practices, compliance policies and procedures, as well as to responding to evolving industry best practices.

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## ITEM 4: ADVISORY BUSINESS

Haveli Investment Management, LLC, a Delaware limited liability company (together, where the context permits, with its subsidiaries that provide investment advisory services including, but not limited to, Haveli Gaming and Haveli Software, each as defined below, "Haveli", "we", "us", or other similar terms), was formed in August 2021 and is 100% owned by its parent company, Haveli Investments LP, a Delaware limited partnership ("Haveli LP"). Haveli LP is principally owned by the Sangreal Trust dated Dec. 1, 2009 (the "Trust"). The sole trustee of the Trust is Mr. Brian Sheth. Haveli is headquartered in Austin, Texas.

Affiliates of Haveli will serve as the general partner (each a "General Partner," and, collectively, the "General Partners"). Where the context permits, references to "Haveli" herein will also include the General Partners. Haveli sponsors and provides discretionary investment advisory services to pooled investment vehicles (the "Funds"). Certain Funds include feeder funds formed to invest in other Funds and/or co-invest vehicles formed to invest alongside other Funds in certain or all investments.

Haveli provides investment advisory services to the Funds in accordance with investment management agreements ("Advisory Agreements"). The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the "1940 Act") and their securities are not registered under the Securities Act of 1933, as amended (the "Securities Act").

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable General Partner, and not individually to the investors ("Investors" or "Limited Partners") in the Funds. In each case, Fund investments are consistent with the investment objectives and strategies, as defined by the applicable private placement memoranda, Advisory Agreements, limited partnership agreements, side letter agreements negotiated with Investors in an applicable Fund, and/or other governing documents (together, "Organizational Documents").

Haveli Gaming Management LLC ("**Haveli Gaming**") provides advisory services to the Funds in connection with investing in, acquiring and/or developing a range of companies whose principal business is in video game development and/or publishing across all types of deliverable platforms, video game and e-sports content distribution and streaming, operating and/or owning competitive e-sports leagues and/or competitive teams, and producing hardware used in video games and/or e-sports, including augmented and virtual reality (collectively, "Gaming Assets").

Haveli Gaming advises regarding investments in the following, among others:

- (a) direct majority, joint venture or minority ownership interests in Gaming Assets;
- (b) securities (including equity, debt or other securities) of, or other interests or instruments of, gaming issuers;
- (c) other gaming-related assets, debt, equity indices or other interests or securities (including, without limitation, hedging transactions and other transactions utilized to manage risk and/or create synthetic exposure to certain types of investments, including for investment or speculative purposes);
- (d) entities providing products, services and/or financing related to gaming-related resources and assets; and
- (e) derivatives, royalties and any other financial instruments that will enable to a Fund to create synthetic exposure to certain types of Gaming Assets.

Haveli Software Management LLC ("Haveli Software") expects to provide advisory services to the Funds in connection with investing in, acquiring and/or developing a range of companies whose principal business is in software development (collectively, "Software Assets" and together with the Gaming Assets the "Assets").

Haveli expects to advise regarding investments in the following, among others:

- (a) direct majority, joint venture or minority ownership interests in Software Assets;
- (b) securities (including equity, debt or other securities) of, or other interests or instruments of, software issuers;
- (c) other software-related assets, debt, equity indices or other interests or securities (including, without limitation, hedging transactions and other transactions utilized to manage risk and/or create synthetic exposure to certain types of investments, including for investment or speculative purposes);
- (d) entities providing products, services and/or financing related to software-related resources and assets; and
- (e) derivatives, royalties and any other financial instruments that will enable to a Fund to create synthetic exposure to certain types of Software Assets.

Investors should refer to the Organizational Documents of the applicable Fund for complete information on the investment objectives, restrictions, and guidelines of the particular Fund and the services Haveli provides to the Funds.

As of December 31, 2022, Haveli managed a total of \$596,975,661 of client assets, all of which is managed on a discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Advisory Management Fees**

Haveli generally receives advisory management fees (“Management Fees”) from the Funds. Management Fees are generally based on capital commitments or, at certain times during a Fund’s life, capital contributions. These fees are set forth in detail in each Fund’s Organizational Documents. In the sole discretion of Haveli or its affiliates, fees and expenses, if any, may be, and in certain cases are, waived, reduced or calculated differently for the Funds, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. Certain Fund investors that are “friends and family” of Haveli or are affiliates of Haveli will not bear fees or Carried Interest with respect to their interest in the Funds. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund. Certain Funds may not pay Haveli any Management Fees. In certain cases, Haveli may also receive Management Fees from co-investors or co-investment vehicles, which Management Fees may differ from those born by a Fund. Certain other co-investors or co-invest vehicles do not pay any Management Fees.

The General Partners also receive Carried Interest, as described below in Item 6.

The Management Fee will be paid quarterly in advance. The Management Fee is prorated for periods of less than one full quarter. Upon termination of an Advisory Agreement, Management Fees that have been prepaid are generally returned on a prorated basis.

### **Other Fees and Expense Reimbursement**

#### **Other Fees**

In addition to the Management Fees and Carried Interest, Haveli and its affiliates receive a variety of other cash, equity, other non-cash fees, reimbursement for certain expenses and other compensation relating to the investment activities of a Fund, its portfolio companies and prospective portfolio companies including transaction fees, monitoring fees, directors’ fees,

Management Fees, organization and financing fees, operational fees, commitment fees, break-up and topping fees, divestment fees, termination fees, project fees, fees relating to the arrangement of acquisitions or other financial restructuring, investment banking fees, fees relating to credit origination, loan syndication, loan arrangement, loan servicing and/or other types of management consulting and other similar operational and financial matters and/or other fees and annual retainers from, or with respect to, the portfolio companies and prospective portfolio companies (collectively with the other fees described in this section, "Other Fees"). The amount and timing of Other Fees received by Haveli or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction. Nevertheless, in many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company and therefore such fees are not subject to a market check. A conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of Haveli acting on behalf of both parties.

As noted above, Haveli and its affiliates receive "monitoring fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by Haveli to such portfolio companies. The terms of a monitoring agreement may include (among other things) annual automatic renewals, the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric), and the acceleration of payment of the monitoring fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. The accelerated monitoring fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth of EBITDA or similar metric, and may be calculated using a discount rate as low as the risk free rate, as determined by Haveli. Since the monitoring agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. Notwithstanding the foregoing, in the event of an initial public offering or other disposition, monitoring fees will continue to be paid so long as the applicable Fund continues to hold an other than *de minimis* position in such portfolio company and Haveli or its affiliates continue to provide the monitoring services.

Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies, prospective portfolio companies or investment vehicles (or rights thereto) or otherwise. The payment of Other Fees and reimbursements by portfolio companies and prospective portfolio companies will, in some, but not all, circumstances create a conflict of interest between Haveli and its affiliates, and the Funds and their investors because the amounts of these Other Fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. Haveli determines the amount and timing of these Other Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions. Generally, the amount of such fees and reimbursements will not (except in connection with the reductions described herein be disclosed to investors in the Funds.

In addition, Haveli or its personnel, on behalf of Haveli, may receive stock of a portfolio company as an Other Fee due to the service of such personnel on the board of such portfolio company or as compensation for other services provided to such portfolio company. In such event, the recipient will generally act in its own interest with respect to the stock received as an Other Fee (including, for instance, determining to sell the distributed securities, or hold on to the distributed

securities for such time as such recipient shall determine in its sole discretion). The ability of such recipients, to act in their own interest with respect to the stock received as an Other Fee creates a conflict of interest between Haveli, as an adviser to the Funds and their personnel, on the one hand, and the Funds, on the other hand because the recipient's interests may not be aligned with those of the Funds and the recipient may determine to sell the stock received at a different time, or on different terms, than a Fund would sell its interest.

An affiliate of Haveli is also expected to be involved, from time to time, in activities relating to the underwriting or private placement of equity securities, debt, loans or other obligations issued by, or in respect of, portfolio companies and receive fees and other compensation for such services ("Capital Markets Fees"). These activities do not need to be approved by any Fund (or any advisory committee of a Fund), except as otherwise provided in the Organizational Documents of any Fund.

Capital Markets Fees are for the benefit of Haveli and/or its relevant affiliate and not the Fund, are generally not considered "Other Fees" and, except as otherwise provided in the Organizational Documents of a particular Fund, do not reduce the Management Fee. Please see "Compensation Received by Haveli BD (as defined below) and Related Entities for Capital Markets and Placement Agent Activity" for further information regarding activities of Haveli BD (as defined below).

For the avoidance of doubt, any fees paid to Haveli or its personnel after a Fund has exited an investment (or is in the process of exiting) are not considered "Other Fees" and do not reduce the Management Fee.

### **Allocation of Other Fees and Management Fee Offset**

Although Other Fees are in addition to the Management Fees, Haveli will in some circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Organizational Documents of the applicable Fund. Generally, under the terms of the applicable Organizational Documents, for purposes of calculating any Management Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by Haveli in connection with consummated or unconsummated transactions or in connection with generating any such fees.

To the extent an Other Fee relates to more than one Fund participating (or expecting to participate) in an investment, the Other Fee is generally allocated among such Funds pro-rata based on the capital commitments of such participating Funds (or for an unconsummated investment, the proposed commitments of the Funds), or on such other basis that Haveli determines to be fair and reasonable in its sole discretion. However, in determining how to allocate an Other Fee among more than one participating Fund, Haveli may also take into account, among other things, the type of transaction (e.g., original acquisition or follow-on), the consideration involved in the transaction (cash or in-kind) and the value of the consideration.

To the extent an Other Fee relates to a Fund, co-investment vehicle or third-party investor that does not pay Management Fees or to capital committed by a Fund investor that does not pay Management Fees, the portion of such Other Fee allocable to the non-fee paying party will be retained by Haveli and such amounts will not offset any Management Fee paid to Haveli.

From time to time, Haveli (in its sole discretion) agrees to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third party, such as a consultant, advisor, Operations Support Provider (as defined below in Item 11), finder, broker, investor, co-investor

and/or investment bank. Haveli is not required to share the portion of the Other Fee paid to a third-party with the Funds (or their investors) and, therefore, the portion of an Other Fee paid to such third-party will not reduce the Management Fee.

### **Portfolio Company Expense Reimbursements**

A portfolio company will typically reimburse Haveli for expenses, including without limitation, travel and travel-related expenses, meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers), expenses relating to training programs, meetings or other events (whether or not such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses), indemnification expenses, certain legal expenses (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender) and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses, incurred by Haveli in connection with its performance of services for such portfolio company. Such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Organizational Documents, and such reimbursements do not reduce the Management Fee. Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Haveli, are reimbursed by a Fund and/or its portfolio companies, Haveli may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses which could result in lower returns to investors. As used throughout this brochure, “travel and travel-related” expenses includes, but is not limited to, all travel expenses for the use of first class or business class travel, black car ground transportation, accommodations, meals, events and entertainment.

### **Expenses**

#### **Adviser Expenses**

To the extent provided in the Organizational Documents of the Funds and except as described below as a Fund or portfolio company expense, Haveli generally bears certain expenses and costs associated with the performance of its services, including expenses on account of rent, utilities, office supplies, office equipment, the compensation and expenses of certain of its partners, officers and employees (other than Carried Interest described in Item 6 below) and other normal and routine administrative expenses relating to the services and facilities provided by Haveli to the Funds.

#### **Fund Expenses**

Fund Expenses will be borne by the Funds, and accordingly by the Investors in proportion to their contributions to the Funds, or in such other equitable manner as determined by Haveli in its absolute discretion. For the avoidance of doubt, Fund Expenses include legal, accounting, audit, actuarial, investment banking, reporting, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company and fees of affiliated consultants), underwriting, brokerage, sale, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), marketing, advertising, printing, wholesaling and other fundraising expenses associated with the admission of an investor and investor-related services and other similar costs, travel and travel-related expenses and entertainment expenses incurred in connection with the Funds’ fundraising and investment activities, premium meals, social and entertainment events (with portfolio company management,



customers, clients, borrowers, brokers and service providers), organizational expenses of the Funds' General Partners, the Management Fee, fees and expenses paid to third-party valuation agents for valuations, appraisals or pricing services, administration (including maintaining the books and records of a Fund, including any related internal costs that Haveli may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee a Fund's books and records), filing and similar fees paid on behalf of a Fund, including reimbursements of any fees and expenses to advisers, service providers and other third parties, research and other information (including, but not limited to, research costs allocated by Haveli's internal research team and third-party groups, and including data and information service subscriptions, related systems and services from data providers and data management software and including any research or other service that may be deemed to be bundled for the benefit of such Fund), as well as the information technology systems used to obtain such research and other information, third-party diligence software and service providers, subject and industry-matter research and experts, brokerage and finders' fees and commissions and discounts incurred in connection with the purchase or sale of securities, custody, hedging, currency conversions, transfer, registration, advisory board meeting expenses (and including set-up costs, speaker fees, honoraria, dining, entertainment, travel and travel-related expenses) as well as other advisory board expenses (including legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the advisory board and other expenses incurred in connection with advisory board action), information technology system expenses (including the costs of acquiring, developing, implementing and maintaining specialty and custom computer software and hardware and other technological systems for the benefit of a Fund, its investors, or a portfolio investment or potential investment), bridge financing expenses and guarantees (which may be payable to another Fund co-investing in the bridge transaction or to Haveli or an affiliate, in each case being the entity providing the bridge financing to the applicable Fund), borrowing, financing, commitment, broken deal, failed transaction, reverse break-up, origination and similar fees and expenses (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying, refinancing or terminating such borrowings and commitments and interest arising therefrom), all insurance premiums of any director and officer liability, General Partner liability, errors and omissions, or other insurance and extraordinary administrative or operating expenses, including, without limitation, all litigation, arbitration, settlement and indemnification costs, expenses, judgments and settlements), including insurance of which Haveli and its affiliates are beneficiaries, cyber-security insurance premiums, interest, taxes, fees and other governmental charges levied against a Fund or payable by a Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund, expenses incurred in connection with tax preparation and filings, expenses relating to the preparing, printing and distributing investor reports physically or electronically (including software use to electronically distribute such reports and notices), expenses associated with making capital calls from and distribution to investors, including fees and expenses of information technology used to facilitate all such activities, expenses of loan servicers and other service providers, expenses related to meetings with one or more investors (including prospective investors during fundraising and current Fund investors), expenses related to attending , participating in or sponsoring trade association meetings, conferences or similar events or meetings in connection with the identification or evaluation of investment opportunities or business sector opportunities, even if such expenses are not related to a specific transaction (including the evaluation of potential investments and joint venture opportunities, regardless of whether such investment or joint venture is ultimately consummated), Operations Expenses (as defined in Item 11 below), risk management assessment expenses, fees, costs and expenses related to the organization, establishment, maintenance and administration of any alternative investment vehicles of any intermediary entity used to acquire, hold or dispose of an investment or to otherwise facilitate a Fund's investment activities, expenses associated with a Fund's compliance with applicable laws and regulations, including regulatory filings as they relate to the Funds' activities, including all fees

and expenses relating to compliance with tax, securities law or other legal or regulatory requirements applicable to a Fund or its investors (including preparation and filing of Form PF and registration or other compliance obligations related to, or arising as a result of, the offering and sale of interests in a Fund in any jurisdiction, including any such obligations arising under the Alternative Investment Fund Managers Directive or the securities law of any jurisdiction, or from managing compliance with FATCA or similar regimes) out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Fund or Haveli that are attributable to the operation of such Fund or requested by one or more investors in a Fund, expenses incurred in connection with complying with provisions in investor side letter agreements, including “most favored nation” provisions, the costs associated with any amendments, modification, revisions or restatements to the Organizational Documents of a Fund, the costs and expenses of hosting annual or special meetings of the Funds’ investors, regardless of whether all investors are invited to participate in or attend such meetings (including set-up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related expenses and other expenses), such Fund’s allocable share of expenses and fees generated in the course of sourcing, evaluating, investigating, diligencing, discovering, developing and researching potential investments, including investments that are not consummated (including certain advisory, transaction, consulting and other similar fees paid to Haveli, and legal expenses incurred in connection with claims or disputes related to unconsummated or proposed investments and including expenses and fees that would have been allocable to co-investment vehicles or other co-investors), expenses incurred in connection with the disposition of investments (including closing, execution and other transaction costs), expenses and fees generated in the course of organizing, making, holding, developing, managing, monitoring, refinancing, maintaining, administering, restructuring operating and negotiating joint ventures arrangements and platform investments, including with respect to transactions that are not consummated, such Fund’s allocable share of expenses and fees incurred in the course of making investments, expenses of dissolving, liquidating or terminating a Fund, any other fees and expenses approved by a Fund’s advisory board, expenses associated with a Fund, and other similar fees and expenses, as well as any other fees or expenses incurred by Haveli or such Fund in connection with such Fund’s operations that are not specifically set forth above as being paid by Haveli.

Notwithstanding the foregoing, certain Fund Expenses or other expenses benefiting only certain Investors, may, in the absolute discretion of Haveli, be allocated to, and borne by, only Investors benefiting directly or indirectly therefrom. Those costs and expenses may include, without limitation, (i) all costs and expenses incurred on behalf of Investors who benefit in relation to the production, distribution and filing of the special reports and accounts in respect of a Fund, (ii) any fees of the auditors in connection therewith, (iii) the appointment of any tax representative, (iv) the filing of any information with a tax or regulatory authority, and/or (v) expenses incurred in connection with a subscription line, credit facility or other financing or partner as an alternative to any investor advisory committee approval requirement. All costs and expenses of an alternative investment vehicle shall be borne by such alternative investment vehicle.

The amount of the Fund Expenses in any year may exceed the net income of a Fund for such year and result in a loss for a Fund.

In addition to Haveli, the Funds may retain other persons (including, without limitation, an auditor and fund administrators) to perform certain administrative, accounting, portfolio, investor and other services for the Funds, including, without limitation, the preparation of reports to Investors and the Funds’ tax returns at the Funds’ expense. Certain of such persons may be affiliates of the General Partner, in which case the fees charged and/or terms and conditions associated with such services will be no less favorable to the Funds than would be obtained from non-General Partner affiliates on an arm’s-length basis, as determined by Haveli in good faith. In consideration

of such services, the Funds will generally pay the relevant service provider a fee, which may be a flat fee or may be based on the average net assets of the Funds, subject to a monthly minimum, or other measure. The Funds may also reimburse the relevant service provider for any out-of-pocket expenses. Fees paid to such a service provider in such capacity will be included in the Fund Expenses and will not reduce the Management Fees payable to Haveli or any affiliate or subsidiary thereof.

For the avoidance of doubt, Fund Expenses shall include costs and expenses incurred by Haveli, a General Partner and any of their respective affiliates in connection with any regulatory requirements to which they may be subject as a result of their role in respect of the Funds; provided that Fund Expenses shall not include any costs or expenses in connection with defense of any governmental or regulatory action which would not otherwise be eligible for indemnification by the Funds.

From time to time, the General Partner of a Fund creates certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“SPVs”). In the event a General Partner creates an SPV, consistent with the Organizational Documents of the Funds, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV, and indirectly, the investors thereof. In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Funds (including, without limitation, expenses of accounting and tax services) may be borne by the Funds and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

### **Co-Investment Vehicle Fees and Expenses**

With respect to consummated co-investments, co-investors will generally bear their pro-rata share of fees, costs and expenses related to, among other things, the discovery, investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments or the co-investment vehicles through which they participate, although it is possible that the relevant portfolio investment (rather than the co-investors themselves) will bear such expenses and in such case, the applicable Investors will indirectly bear expenses related to the co-investors. With respect to a proposed co-investment that is not consummated, however, unless a co-investor or co-investment vehicle is contractually committed to such investment or has agreed to bear its share of expenses, such expenses will typically be borne entirely by a Fund to the extent permitted by the applicable Organizational Documents and not by any such co-investor or co-investment vehicle.

Unless Haveli determines otherwise in its sole discretion or subject to negotiations with a particular co-investor, in general neither co-investment vehicles nor co-investors will bear any expenses relating to a proposed but not consummated transaction ( “Dead Deal Costs” ), even if a co-investment vehicle has been formed for the purpose of investing in the proposed transaction or if co-investors have otherwise committed to invest in the proposed transaction. As a result, Dead Deal Costs are generally borne by the Fund or Funds selected by Haveli as proposed investors for such proposed transaction which will result in the Fund bearing more than its pro rata share of Dead Deal Costs. Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction.

Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to Operations Support Providers (as defined in Item 11 below) and other third parties), any travel and travel-related expenses, all fees, costs and

expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, costs of negotiating co-investment documentation (including non-disclosure agreements with counterparties), the costs from onboarding (i.e., KYC) investment entities with a financial institution, expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

Any fees and expenses incurred in connection with the organization of a co-investment vehicle (including fees and expenses related to negotiating the governing documents of such co-investment vehicle as well as fees and expenses described above) that is expected to invest alongside the Funds in an investment are expected to be borne by the Funds to the extent such co-investment vehicle does not ultimately make such investment, whether or not such investment is consummated by the Funds.

From time to time, certain the Funds will incur certain ongoing expenses that benefit a co-investment vehicle or co-investor (for instance, insurance premiums). In such instances, these ongoing expenses will be borne solely by the applicable Fund or Funds and will not be borne by any benefiting co-investment vehicle or co-investor.

In addition, Haveli and its affiliates have discretion to (i) receive performance-based compensation, Management Fees or similar fees from co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject to co-investment arrangements.

### **Allocation of Expenses**

From time to time Haveli will be required to decide whether certain fees, costs and expenses should be borne by Haveli, a Fund, a portfolio company, co-investors or co-investment vehicles and/or a third-party (each, an “Allocable Party”) and if so, how such fees costs and expenses should be allocated among the relevant Allocable Parties. Allocation of expenses raises conflicts of interest. Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party or, fees, costs and expenses may be allocated among multiple Allocable Parties. For example, with respect to travel, Haveli will in certain cases be required to allocate the cost of a single flight that benefited multiple parties. Haveli allocates fees, costs and expenses in accordance with a Fund’s Organizational Documents. To the extent not addressed in the Organizational Documents of a Fund, Haveli will make allocation determinations among Allocable Parties in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include pro rata allocation based on the respective capital commitments of a Fund, pro rata allocation based on the respective investment (or anticipated investment) of an Allocable Party in an investment, relative benefit received by an Allocable Party, or such other equitable method as determined by Haveli in its sole discretion). Haveli will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance and a Fund will bear more or less of a particular expense based on the methodology used.

There may be occasions when one Allocable Party (the “Payor Allocable Party”) pays an expense common to multiple Allocable Parties (the “Allocated Parties”) (e.g., legal expenses for a transaction in which multiple funds and/or co-investors participate). On such occasions, each Allocated Party will reimburse the Payor Allocable Party for its share of such expense, generally without interest, promptly after the payment is made by the Payor Allocable Party. In addition, there may be occasions where a Fund procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocable Party. Subject to the Organizational Documents, the borrowing Fund will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Allocable Parties. Furthermore, while highly unlikely, it is possible that one of the Allocated Parties could default on its obligation to reimburse the payor Allocated Party.

Haveli, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described above.

### **Brokerage Fees**

Where Haveli utilizes the services of broker-dealers to effect portfolio transactions for the Funds, the Funds will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

### **Compensation Received by Haveli BD and Related Entities for Capital Markets and Placement Agent Activity**

Our affiliate Haveli Global Securities, LLC (“**Haveli BD**”) is registered with the Securities and Exchange Commission as a broker-dealer.

Haveli BD and related entities are expected to receive compensation for the services Haveli provides in connection with capital markets services. See “Participation of Haveli BD and Related Entities in Capital Markets Activity” in Item 11 for additional information on such compensation and related conflicts of interest.

While we expect such fees, commissions and other compensation are reasonable and generally charged at market rates for the relevant activities, such compensation may not in each case be negotiated at arm’s length and from time to time may be in excess of fees, commissions or other compensation that may be charged by an unaffiliated third party. The Funds generally will not have the right to share in, or have Management Fee offsets for, any compensation received by Haveli BD.

Haveli BD’s business is expected to evolve and expand over time. It is expected that Haveli BD will earn fees for engaging in other transactions that relate to a Fund or its portfolio companies. For example, Haveli BD could place interests in vehicles formed for the purpose of making co-investments or exercising our rights or discharging our obligations under Organizational Documents.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Certain of the Funds pay performance-based fees, including the payment of carried interest (“Carried Interest”) or incentive allocations, which vary across the Funds. The General Partner,

or an affiliate, of each Fund receives performance-based fees from the Funds it manages. The precise amount of, and the manner and calculation of, Carried Interest and incentive allocations are detailed in each applicable Fund's Organizational Documents. Carried Interest and incentive allocations paid by a Fund are indirectly borne by the Investors in a Fund. Performance-based fees differ from one Fund to another, as well as among Investors in the same Fund. Certain Funds and investors in such Funds incur lower or no Carried Interest. In addition, certain co-investors or co-investment vehicles may pay Carried Interest, which may be at different rates than a Fund.

The payment of Carried Interest and incentive allocation by some, but not all Funds, and the payment at varying rates (or varying effective rates) creates an incentive for Haveli to disproportionately allocate time, services, or functions to Funds paying Carried Interest, or the Funds paying Carried Interest at a higher rate, or to allocate investment opportunities to such Funds. Generally, and except as maybe otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated at least in part by (i) certain limitations on the ability of Haveli to establish new investment funds; (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously; and/or (iii) contractual provisions or procedures setting forth investment allocation requirements. Further, the existence of performance-based fees has the potential to create an incentive for a General Partner to make more speculative portfolio investments on behalf of a Fund than it would otherwise make in the absence of such a performance-based arrangement, although Haveli generally considers performance-based compensation to better align its interests with those of its Investors. Haveli has established procedures to address these potential conflicts of interest to ensure that transactions and investment opportunities are allocated to the Funds on a fair and reasonable basis and in accordance with each Funds' investment guidelines and Organizational Documents.

## **ITEM 7: TYPES OF CLIENTS**

Haveli currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the General Partner of each such Fund, if applicable) and not individually to investors in such Fund.

See Item 4 – Advisory Business.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

Haveli will seek to acquire interests in, and extract value from Assets.

Haveli takes an active approach to asset management. Haveli invests in either minority or majority ownership of Assets. The specific nature of the particular opportunity in question (market, stage of development of company/industry, available exit opportunities, etc.) will generally guide the size of a Fund's ownership stake. Depending on a Fund's ownership stake, Haveli generally seeks to have influence over the activities of the portfolio companies in the form of board representation or additional shareholder protections, or both. There can be no assurance that a Fund will obtain a controlling position, the right to materially influence the actions of such companies or sufficient ownership to have any such influence.

A Fund may enter into partnerships, consortia or other similar arrangements, including joint ventures (in the form of special purpose vehicles or otherwise), with corporate entities or individuals, that have expertise, financial capability or other strengths in a particular segment of

the gaming and software industries, for the purposes of investing in, acquiring, developing, redeveloping, managing or operating a single investment or a portfolio of joint venture investments. The partners entering into joint ventures with that Fund may have an equity investment in the applicable joint venture vehicle in order to ensure alignment of their interests with those of that Fund, and may receive a promoted interest, if the applicable investment achieves certain targeted returns.

Although the Funds intend to seek effective control or consent rights over major decisions in joint ventures, the terms governing a particular joint venture, and the level of control given to a Fund or the joint venture partner in such a joint venture, will vary on a case by case basis, and may depend on the nature of the particular investment, the strengths of each party to the transaction or other factors.

In implementing these strategies, Haveli generally will (i) analyze specific market conditions for potential investment opportunities, (ii) investigate and conduct due diligence with respect to proposed opportunities and potential investment partners, (iii) negotiate investment terms, analyze potential exit options, pursue strategies to increase the value of the portfolio companies post-investment and (iv) advise the Funds in relation to the realization of investments.

Notwithstanding the foregoing, as market circumstances change and certain strategies become less attractive, a Fund may seek to adjust its strategies to respond and adapt to such changing conditions. Haveli believes that its ability to achieve a Fund's objective will continue to depend, in part, on Haveli's ability to develop new investment strategies and methodologies. Accordingly, except as set forth in a Fund's Organizational Documents, there is generally no limitation on (i) the type of investments that the Funds may acquire, (ii) the countries in which a Fund may pursue opportunities or (iii) the instruments or strategies that it may employ to seek exposure to such investments.

## **Risks**

A Fund is intended for long-term investors who can accept the significant risks associated with investing in illiquid securities. An investment in a Fund involves various risk factors, including the possibility of partial or total loss of the capital invested in a Fund. Prospective investors should not subscribe unless they can readily bear the consequences of such risk factors, including such loss. A Fund's ability to achieve its targeted investment results is subject to risk factors over which a Fund may have no or limited control.

The following does not purport to be a comprehensive summary of all the risks associated with an investment in the Funds. Rather, the following are only certain specific risks to which Investors will be subject.

## **Investment Results Are Subject to Market Conditions**

Market conditions, available investment opportunities and other assumptions may change significantly during the term of the Funds. There can be no assurance or guarantee that the Funds will achieve their investment objective, the Preferred Return, where applicable, the targeted investment results or any other objectives. The return (including the Preferred Return, where applicable) anticipated to be achieved by a Fund or any particular Investor is not certain. In addition, because current estimates of market conditions are likely to change during the life of the Funds, Investors should note that the actual realized return over the term of the Funds will depend upon a number of risk factors, as set forth herein.

## **Private Equity Investments**

The type of investments which the Funds anticipate making may involve a high degree of risk. In general, financial and operating risks confronting the Funds' investments can be significant. While the investment results should reflect the perceived level of risk in any investment situation, there can be no assurance that Fund will be adequately compensated for risks taken. A loss of principal is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early, while successes often require a long maturation. The percentage of companies that survive and prosper can be small.

## **Lack of Liquidity of the Funds' Investments**

The Funds' investments will generally be illiquid even though they may generate some current income. Dispositions of investments may also be subject to limitations on transfer or other restrictions that would interfere with the subsequent disposition of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will, except in certain limited circumstances, occur only upon the partial or complete disposal of an investment. Certain listed securities and instruments may from time to time lack an active secondary market. The market for the disposition of interests in distressed companies may be further limited, and a Fund may have to sell such interests at prices lower than those that might be achieved in an active or established market. In the absence of a ready market, a Fund's ability to sell its interests in Assets at a fair price may be impaired or delayed.

## **Investments in Distressed Assets and Bankruptcy Risks**

The Funds may invest in Assets and companies owning and/or operating Assets involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions or in-court proceedings and may purchase assets from such entities or acquire secured or unsecured financial instruments issued by such entities. In addition, the Funds may originate new loans to distressed companies on a secured or unsecured basis. Such loans may be made prior to the commencement of formal insolvency proceedings or after the commencement of such proceedings in the form of debtor-in-possession or similar financing under applicable laws. In addition, the Funds may participate in the secondary market for the purpose of purchasing or selling claims against a distressed company before or after the company's commencement of formal insolvency proceedings and the Funds could realize gains or losses in such transactions.

Due to the substantial uncertainty concerning the outcome of transactions involving distressed companies, there is a potential risk of loss by the Funds of their entire investment if the Funds make an investment in the equity or debt of such company. Described below are a few of the common risks associated with investments in distressed Assets and related bankruptcy risks of which prospective investors should be aware.

## **Certain Bankruptcy Risks Related to Investments in the Debt or Equity of a Distressed Gaming Company or Software Company**

As a general matter, there are significant risks when investing in, or transacting with, companies that become involved in formal insolvency proceedings. Many events in such proceedings are the product of contested matters and adversary proceedings that are beyond the control of creditors or equity holders. The duration and result of an insolvency proceeding are difficult to predict and



returns on investment can be impacted adversely by delays while a plan of reorganization, asset sale or liquidation is being negotiated, approved by the creditors, and confirmed by a court.

The Funds' ultimate realization on an investment in a formal insolvency proceeding will be subject to the process for the allowance of claims or interests and distributions on account of those claims or interests in accordance with the priorities established under applicable law. Certain claims, such as claims for taxes, wages, and certain trade claims, may have priority by law over the claims of general unsecured or secured creditors or the administrative costs in connection with an insolvency proceeding are frequently high and can be expected to be paid out of the debtor's estate, sometimes prior to any distributions being made to creditors. Further, the Funds may be required in some cases to accept cash or securities or other consideration with a value less than the Funds' original investment, or may be required to accept payment of their allowed secured claim over an extended period of time on modified terms, including adjustments to rates of interest where applicable.

A Fund's investments in a distressed company and transfers of the interests in property of such company to a Fund (including in connection with asset acquisitions, the taking of guarantees, the origination or acquisition of loans, and the acquisition of securities or other financial instruments) may also be adversely affected by objections to such claims and transfers brought by a debtor, a trustee acting on behalf of the debtor's estate, or in some cases statutory or ad hoc committees of creditors or equity holders. Such parties can be expected to closely examine claims against a debtor held by a Fund and a Fund's pre-petition transactions with a debtor and may prosecute actions that are adverse to a Fund's interests under applicable law relating to, among other things, fraudulent transfers/conveyances, voidable preferences, and lender liability. In addition, a Fund's position in a proceeding may be adversely affected by the exercise of the broad discretionary power of courts in certain jurisdictions to recharacterize, disallow, subordinate, or disenfranchise particular claims as well as the effects of substantive consolidation and other equitable remedies.

### **Certain Bankruptcy Risks Related to Secured Claims Against a Distressed Company**

The Funds' investments in secured loans may be unperfected for a variety of reasons, including the failure to make required filings, and a Fund may not have the expected priority over other creditors as a result of such failure. Even if a Fund holds a properly perfected security interest in collateral, the Fund's ultimate realization of value from that interest may come in a variety of forms, including through deferred cash payments equal to the value of a Fund's collateral as determined by a bankruptcy court. Further, if a secured loan is collateralized by stock of the borrower or its subsidiaries, such stock may lose some or all of its value in the event of the borrower's bankruptcy or insolvency.

More generally, upon the commencement of a formal insolvency proceeding by a borrower, a Fund may experience delays in and limitations on its ability to realize the benefits of its collateral due to the imposition of statutory injunctions (or similar strictures) in certain jurisdictions that would limit or stay a Fund's exercise of otherwise available remedies, including repossession of or foreclosure on collateral without obtaining prior relief from such injunction.

### **Certain Risks Related to Purchasing Assets from a Distressed Company After the Commencement of Formal Insolvency Proceedings**

The Funds may acquire Assets after a company's commencement of formal insolvency proceedings, including through sales under applicable law that purport to convey a debtor's assets to a Fund "free and clear" of all claims and interests. The transactional costs associated with such acquisitions, which are often subject to competitive solicitation and auction processes, can be

substantial and in the common circumstance where a selling debtor does not plan to reorganize and emerge from its bankruptcy case as an operating business contractual recourse against the seller for, *inter alia*, breach of representations or warranties are of limited value as the assets are often sold "as is, where is" with representations and warranties that do not survive closing.

In connection with asset acquisitions, where a Fund has extended secured financing to a debtor a Fund may be in a position to "credit bid," which is the right of a secured creditor to offset the amount of its allowed secured claim as credit against the purchase price due in a sale of its collateral, thus reducing or eliminating the cash outlay required to acquire assets. However, a secured creditor's right to credit bid is not guaranteed and may be subject to litigation, including litigation related to the allowance of the creditor's secured claim in connection with a credit bid, the amount of the available credit bid, and whether the right to credit bid should be restricted in circumstances where permitting the bid would adversely impact a court-approved sale process. Where a Fund is constrained in its ability to credit bid, it may be required to use available cash to fund the purchase price of assets and any realization on a Fund's secured claim would remain subject to subsequent dispositions in the relevant insolvency proceeding.

In addition, bankruptcy asset sales in most jurisdictions, including in the United States, are subject to court review and approval. Litigation with a debtor's creditors and/or equity holders (including litigation with governmental units and statutory or ad hoc committees formed to represent the interests of certain classes of parties in interest) can be expected where a transaction does not have the support of all parties in interest. Even where a transaction receives court approval over an objection, a Fund's ability to close on the transaction may be limited in circumstances where an appeal is taken of that approval.

### **Diligence Risk**

A significant part of the Funds' strategies are to acquire Assets. Such acquisitions involve a number of special risks, including failure to identify material risks or liabilities associated with the acquired assets prior to their acquisition. To reduce these risks, Haveli may conduct, or cause to be conducted, certain diligence in relation to the Funds' potential investments. Such diligence may include, among other things, a review of the disclosures required of companies participating in regulated industries, key documents, management presentations, management interviews, and certain independent reports on projects and their assets and affairs, as well as independent analysis. However, the level of diligence conducted will vary and there is no assurance that any such diligence will be thorough or conclusive and that all material risks in potential investments will be identified.

Although the Funds may conduct, or cause to be conducted, certain diligence with respect to Assets, there may be unknown liabilities or risks that may result in significant losses to the Funds. While the Funds will seek to address such risks and potential liabilities prior to each acquisition, including via indemnification provisions in the applicable acquisition agreement, there can be no assurance that potential risks will be fully addressed or mitigated prior to the Funds' acquisition of an Asset. Further, there can be no assurance that an issuer, particularly an issuer in distressed financial situation or that is subject to a formal insolvency proceeding will be in a position to perform its contractual obligations.

Moreover, the expenses relating to such diligence could be quite substantial. Diligence costs may include, among others: feasibility and technical studies; preliminary engineering costs and marketing studies; environmental and permitting reviews; legal costs; and bid preparation and submission costs. These and other related expenses will be borne by the Funds, including in the event that the Funds' bid for any particular investment is not accepted.

## **Uncertainty of Financial Projections and Evaluations**

Haveli will generally invest in the capital structure of an issuer on the basis of financial projections for such issuer. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the assumptions are or will be proven accurate or that the projected results will be obtained. Actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

In addition, with respect to investments in distressed Assets and/or distressed issuers, the level of analytical sophistication, both financial and legal, necessary for successful investment is unusually high. There is no assurance that the Funds will correctly evaluate the value of an Asset or the assets collateralizing the loans to an issuer, or the prospects for a successful reorganization or similar action. Moreover, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of investments in distressed Assets or gaming or software issuers. As a result, the returns generated from investments in a distressed Asset or such issuers may not compensate the Funds adequately for the risks assumed.

## **Litigation Risk**

Assets are often governed by a complex series of legal documents and contracts. As a result, the risks of a dispute over interpretation or enforceability of the documentation and consequent costs and delays may be higher than for other investments. In addition, the Funds may be subject to third-party claims arising out of, among other things, business activities, workers' compensation and environmental, health and safety concerns. If any of the investments become involved in material or protracted litigation or arbitration, the associated expenses and the liability threatened or imposed could have a material adverse effect on the Funds.

In addition, investing in distressed Gaming Assets, Software Assets and gaming and software issuers can be a contentious and adversarial process. Different investor groups may have qualitatively different, and frequently conflicting, interests. The Funds' investment activities may include activities that are hostile in nature and that may subject the Funds to risks of litigation with third parties. Litigation risks may be greater where a Fund exercises control or significant influence over an Asset or gaming or software issuer. The expense of defending against claims against the Funds, the General Partners or Haveli and paying any amounts pursuant to adverse settlements or judgments would be borne by the Funds and could potentially require Investors to return distributed capital and earnings to the Funds.

Software Assets may experience liability claims arising out of the sale of their software and provision of services. Software Assets' agreements may contain provisions designed to limit their exposure to potential liability claims and generally exclude consequential and other forms of extraordinary damages. However, these provisions could be rendered ineffective, invalid or unenforceable by unfavorable judicial decisions or by federal, state, local or foreign laws or ordinances. For example, they may not be able to avoid or limit liability for disputes relating to product performance or the provision of services. If a claim against a Software Asset were to be successful, it may be required to incur significant expense and pay substantial damages, including consequential or punitive damages, which could have a material adverse effect on a Funds' business, operating results and financial condition. Even if we prevail in contesting such a claim, the accompanying publicity could adversely affect the demand for their products and services.

Software Assets may rely on certain technology that they license from third parties, including software that is integrated with their internally developed software. Although these third parties may indemnify a Software Asset against claims that their technology infringes on the proprietary rights of others, such indemnification is not always available for all types of intellectual property. Often such third-party indemnifiers are not well capitalized and may not be able to indemnify in the event that their technology infringes on the proprietary rights of others. As a result, Software Assets may face substantial exposure if technology they license from a third party infringes on another party's proprietary rights. Defending such infringement claims, regardless of their validity, could result in significant cost and diversion of resources.

### **Concentration; Lack of Diversification**

The Funds will seek to invest all of their assets in either direct or indirect ownership of Assets, as applicable. Given the concentration of the Funds' investments in the gaming and software industries, respectively, the Funds will be more susceptible to adverse economic or regulatory occurrences affecting the such industries than a fund that is not concentrated in a single industry or group of assets. Since many of the investments may involve a high degree of risk, poor performance by a few of the investments could significantly affect the total returns to the Investors. In addition, the total number of investments may be limited, and, as a consequence, the aggregate returns realized by the Investors may be materially and adversely affected by the unfavorable performance of a small number of such investments.

### **Leverage; Potential Restrictive Covenants**

The Funds may seek leverage as there may be a possibility or need for the Funds to utilize leverage in their investment strategy. It is anticipated that any such debt financing may contain a number of covenants typically associated with secured lending that, among other things, may restrict the ability of the Funds to (i) acquire or dispose of assets, (ii) incur additional indebtedness or provide credit support, (iii) make capital expenditures, or (iv) make cash distributions. In addition, such debt financing would likely require the Funds to maintain specified financial ratios and comply with certain tests, including a minimum interest coverage ratio, a maximum leverage ratio, minimum net worth and minimum equity capitalization requirements. The use of leverage may also involve cross-collateralizing multiple investments in portfolio companies and thus increase the risk of loss. Principal and interest payments on any leverage will be payable regardless of whether the Funds have sufficient cash available. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. US tax-exempt investors should note that the use of leverage by the Funds may create UBTI under certain circumstances.

### **Debt Activities**

The Funds may engage in a variety of activities that involve debt instruments. For example, the Funds may purchase debt instruments either directly (by way of sale or assignment) or indirectly (by way of syndication or participation). The Funds may hold such debt instruments as investments or sell all or a portion of them. Certain debt instruments involve particular risk. For example, the Funds may purchase participating interests ("**Participations**") from a lender to an Asset in return for a right to receive payments under the applicable loan documents. In purchasing Participations, the Funds generally will have no right to enforce compliance by the obligor with the terms of the applicable loan agreement, and the Funds may not directly benefit from the collateral supporting the loan in respect of which it has purchased a Participation. As a result, a Fund will assume the credit risk of both the obligor and the lender.

US tax-exempt investors should note that the Funds' investments in debt instruments may create UBTI under certain circumstances.

### **Interest Rate Risk**

As noted earlier, Assets are typically highly leveraged. As a result, if the interest rate is floating or the borrower has not been able to implement acceptable interest rate hedging arrangements, such as interest rate swaps or other mechanisms, adverse movements in interest rates may increase the cost of debt, affecting returns from these assets more significantly than investments in other types of assets that are not as leveraged.

### **Management of Assets**

While Haveli's management may be seconded to a portfolio company to supplement existing management of the Assets, in most instances the Funds will rely on existing operating management teams that have extensive experience in the day-to-day operations of the businesses in which they invest. Consequently, the operational success of such businesses, as well as the success of the Funds' internal growth strategy, will be dependent on the continued efforts of the management teams of such businesses. The ability to retain or replace employees depends on the approval of the portfolio company's governing body, which may include representatives of owners not affiliated with a Fund or Haveli. Such owners may have different consideration and objectives from Haveli. The loss of key personnel, or the inability to retain or replace qualified employees, could have an adverse effect on the Funds' business, financial condition and results of operations. In other cases, the Funds will rely on third parties, under services agreements with the Funds and/or other third parties, to provide day-to-day management of investments. However, there are a limited number of service providers with the expertise necessary to successfully manage gaming and software companies. Even if a third-party manager can be located, there can be no assurance that these arrangements will lead to successful performance or that the results will be as planned.

### **Investments with third parties; Non-Controlling Investments**

The Funds may make some of their investments through joint venture partners. Such investments may involve risks not present in investments where a third party is not involved, including, for example, the possibility that a joint venture partner may have financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Funds or may be in a position to take (or block) actions in a manner inconsistent with the Funds' objectives. In addition, the Funds may be subject to liabilities in certain circumstances for the actions of joint venture partner with which it is associated (including liabilities for environmental acts or omissions of their joint venture partner). The Funds may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect their position in such investments, although as a condition of investment, Haveli expects that appropriate rights will generally be sought to protect the Funds' interests. The Fund's inability to exercise significant influence over the operations, strategies and policies of such companies means that decisions could be made that could adversely affect the Funds' results and their ability to generate cash and pay distributions to Investors.

If a Fund were to acquire investments having other third party investors, the related investment documentation could include rights of first refusal or preemptive rights that are triggered upon sale or attempted sale. These rights protect incumbent investors' interests and give investors the option of acquiring additional equity in priority to third parties. However, such rights may also dissuade

potential third-party acquirers due to the uncertainty surrounding the outcome of any divestment process.

### **Investments in Securities; Trading Risk**

Among the investments the Funds may consider are debt or equity securities of gaming and software issuers which may be undergoing restructuring or require additional capital or active management. These securities are subject to various inherent risks, including that (i) equity and debt securities fluctuate in value, often based on factors unrelated to the issuer of the securities, and such fluctuations may be pronounced, (ii) such investments generally may be subject to risks with respect to the issuer, (iii) the market for these securities may be less liquid than that for other higher rated or more widely followed securities, and (iv) securities markets in some countries are fragmented, small and less liquid than the securities markets of the US and certain other countries. In addition, securities markets may experience substantial price volatility which could have an adverse impact on the value of the Funds' investments. Periods of economic and political uncertainty may result in further volatility in the value of the investments. As a result, there may be greater volatility than the volatility that could be expected by investors in comparable securities traded in the US securities markets. There can be no assurance that such investments will not be sold at prices below their acquisition cost.

In addition, the Funds may invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, currency, and fixed income markets, the risks of short sales, the risks of leverage, the potential illiquidity of derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing to meet withdrawal requests.

### **Enforcement Risks**

Each of the investments in gaming and software issuers is subject to the risk that the business and/or the assets of such issuers may be pledged or charged to third parties, including senior lenders, and could be foreclosed upon or otherwise acquired by such third parties under certain circumstances, including an incipient and/or unremedied default. In this case, the Funds are likely to be without recourse and may be subject to a material adverse effect in their business.

### **Hedging Transactions**

While under no obligation to do so, the Funds may enter into transactions or investments in relation to any or all currency exchange, interest rate, inflation, commodity or other risks in connection with investments. It may not be practical or cost-effective to hedge all of such risks precisely, especially where the magnitude and timing of future cash flows are not known with certainty. There can be no assurance that (a) such hedges will (i) be available, (ii) be available at a reasonable cost, (iii) be sufficient, or (iv) actually eliminate the risks being hedged, or that (b) counterparties to any hedging transaction would perform as expected. Further, even if the Funds were to enter into hedging transactions, such transactions could, while reducing certain risks, entail other risks that may result in the Funds obtaining a poorer overall performance than if it had not entered into any hedge transactions.

The earnings generated by an investment can be negatively impacted by the development of inflation. The invested capital itself can suffer from a general deterioration in the purchasing power of a monetary unit, and the development of inflation may have a direct negative impact on a Fund's performance.

## **Derivative Instruments**

The Funds may invest in derivatives (including without limitation, hedging transactions and other transactions utilized to manage risk and/or create synthetic exposure to certain types of investments, including for investment or speculative purposes) that will enable it to create synthetic exposure to certain types of Assets or input commodities without having to acquire such Assets or input commodities directly or interests therein. Derivatives typically allow an Investor to hedge or speculate upon the price movements of a particular security, commodity, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to execution and/or central clearing on a US national exchange and to clearinghouse, while other derivatives may be subject to risks of trading in the over-the-counter markets or on non-US exchanges. Most such derivatives transactions are likely to be subject to regulatory oversight.

The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Contractual asymmetries and inefficiencies can also increase risk, such as break clauses and early termination events, whereby a counterparty can terminate a transaction on the basis of criteria including, but not limited to, certain reductions in net asset value, certain declines in net asset value per share, incorrect collateral calls or delays in collateral recovery. In the event that one or more counterparties exercises any contractual rights to terminate some or all derivative transactions with the Funds, the Funds may become exposed to one or more risks that had been hedged by the derivative transaction(s). The Funds may be unable to replace the hedging transaction(s) or may be unable to replace the hedging transaction(s) with alternative counterparties upon the same economic terms as the transaction(s) that have been terminated early.

## **Risks Relating to Pension Liabilities**

In a 2013 federal circuit court case, the court determined that a private equity fund could be liable for ERISA Title IV pension obligations (including withdrawal liability incurred with respect to union multiemployer plans) of their portfolio companies, if such fund is a "trade or business" and the fund's ownership interest in the portfolio company is significant enough to bring the portfolio company within their "controlled group". While a number of cases have held that managing investments is not a "trade or business" for tax purposes, the circuit court in this case concluded that a private equity fund could be a "trade or business" for ERISA purposes based on certain factors, including the fund's level of involvement in the management of their portfolio companies and the nature of their management fee arrangements. Therefore, if a portfolio company acquired by a Fund has any ERISA Title IV pension obligations, a Fund may become subject to such pension obligations.

## **Risks Related to Investments in Gaming Assets, Software Assets and Early Stage Companies**

### **Risks of Growth/Structured Equity Investing**

The Funds may make investments that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets and management teams that may have limited experience working together, all of which enhance the difficulty of evaluating these investment opportunities. The management of these companies will need to implement and maintain successful marketing, finance personnel and other operational strategies in order to become and remain successful. Other substantial operational risks to which these companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried and/or untested business models, products and services, high levels of competition among similarly situated companies, lower capitalizations and fewer financial resources and the potential for rapid organizational or strategic change.

A company's ability to succeed will be dependent not only upon its ability to develop the right products for the right market, but to constantly evolve its business to be sure that its products keep pace with changing technologies and markets. Such a company will need to implement appropriate sales and marketing, finance, personnel and other operational strategies in order to continue to grow its business. The Funds will make investments in portfolio companies which may rely upon rapidly changing technologies. Therefore, technological obsolescence and other technology risks may adversely impact the performance of these companies. In all such cases, the Funds will be subject to the risks associated with the underlying businesses engaged in by companies and of their customers.

In addition, less established Software Assets may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such Software Assets may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited market place for the sale of interests in smaller private companies, which may make realizations of gains more difficult, but requiring sales to other private investors.

The Funds will make investments in companies with unproven or undeveloped technologies. Consequently, as these technologies may not be further developed or may not be commercialized or alternative technologies may not be further developed or may not be commercialized or alternative technologies may be preferred by market, customers or other parties, the investments of the Funds are of a very high degree of risk.

Early-stage investments are considered highly speculative and may result in the loss of a Fund's entire investment.

### **Investments in Later Stage Companies**

The Assets may also include later stage companies involving different types of risks. These companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a business or develop new products and markets. These activities by definition involve a significant amount of change and could give rise to significant problems in sales, manufacturing and general management of these activities.



## **Technology and Software Sector Risk**

The Funds' portfolio companies will be concentrated in software, software-enabled services and internet companies active in the gaming and software spaces. While this industry has grown rapidly, an industry-focused fund may involve risks greater than those of more diversified investments. Adverse economic conditions in the US and other countries could have a material adverse effect on consumer and business spending in the information technology sector, which could limit or cause a substantial reduction in the revenues, profitability and/or continued viability of the portfolio companies in which the Funds invests. Further, the success of the Funds' portfolio companies may depend on the development and marketing of new technologies that at any time may be rendered unattractive or obsolete by technological advances, new social trends and/or communication methods as seen in the emergence of social networking tools and platforms.

Changes in laws and regulations related to the internet or changes in the infrastructure of the internet itself could also affect the Funds' portfolio companies. US federal, US state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting the use of the internet as a commercial medium. Such regulation may adversely impact portfolio companies' businesses and business models. Also, domestic and foreign government agencies and private organizations may begin to impose taxes, fees or other charges for accessing the internet or for the commerce conducted and services provided via the internet.

Assets offer a range of exciting interactive experiences for children. Children's use of the internet and video games has been viewed by some as directly linked to violent and destructive behavior in the young. There are also concerns about excessive use of video games by children at the expense of other activities and family interaction. Children's privacy has been a focus of recent enforcement activity under longstanding privacy laws as well as privacy and data protection laws enacted in recent years, with increased enforcement pending as well as additional guidance. The Federal Trade Commission and state attorneys general have, in recent years, increased enforcement of the Children's Online Privacy Protection Act, which requires companies to obtain parental consent before collecting personal information from children under the age of 13. There are restrictions related to what information may be collected with respect to children under the age of 13. Apart from the requirements of privacy, data protection and data security laws, the gaming and software industries are subject to rapidly changing and increasingly stringent laws, contractual obligations and industry standards relating to privacy, data protection, data security and the protection of children. The restrictions and costs imposed by these requirements, or the Assets' actual or perceived failure to comply with them, could harm the Funds' business.

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### **Risks Related to Certain Groups of Users**

Gaming Assets offer a range of exciting interactive experiences for children. Children's use of the internet and video games has been viewed by some as directly linked to violent and destructive behavior in the young. There are also concerns about excessive use of video games by children at the expense of other activities and family interaction. Children's privacy has been a focus of recent enforcement activity under longstanding privacy laws as well as privacy and data protection laws enacted in recent years, with increased enforcement pending as well as additional guidance. Various local, national, and foreign laws and regulations may apply to Gaming Asset's operations, including the Children's Online Privacy Protection Act, or COPPA, in the U.S. and Article 8 of the European Union's, or EU's, General Data Protection Regulation, or GDPR. COPPA imposes strict requirements on operators of websites or online services directed to children under 13 years of age. COPPA requires companies to obtain parental consent before collecting personal information from children under the age of 13. Both the U.S. federal government and the states can enforce COPPA and violations of COPPA can lead to significant fines. No assurances can be given that a Gaming Asset's compliance efforts will be sufficient to avoid allegations of COPPA violations, and any non-compliance or allegations of non-compliance could expose such Gaming Asset to significant liability, penalties and loss of revenue, significantly harm its reputation, and could be costly and time consuming to address or defend. Gaming Assets business depends on a strong brand and if events occur that damage a Gaming Asset reputation and brand, such Gaming Asset may be unable to maintain and grow the number of developers, creators, and users on its platform.

Gaming Assets may have platforms that host a number of experiences intended for children. Notwithstanding the efforts of a Gaming Asset, from time to time inappropriate content may be successfully uploaded onto its platform and may be viewed by others prior to being identified and removed by the Gaming Asset. This content could cause harm to such Gaming Asset's audience and to its reputation of providing a safe environment for children to play online. If a Gaming Asset is unable to prevent, or is perceived as not being able to sufficiently prevent, all or substantially all inappropriate content from appearing on such Gaming Asset's platform, parents and children will lose their trust in the safety of such platform, which would harm overall acceptance by these audiences and would likely result in significantly reduced revenue, bookings, profitability, and ultimately, the Gaming Assets ability to continue to successfully operate its platform. The success of the Funds' investments in Gaming Assets with content targeting children is contingent upon those Gaming Assets' ability to provide a safe online environment for children to experience and if they are not able to provide a safe environment, the Funds' investment returns may suffer.

While Gaming Assets may have dedicated technology and trained human moderator staff that can detect and remove sexual content involving children, there have been instances where such content has been uploaded to Gaming Assets' platforms. Any non-compliance by the Funds' Gaming Assets or allegations of non-compliance with respect to U.S. federal laws on child pornography or the sexual exploitation of children could significantly harm the Funds' Gaming Assets reputation, create criminal liability, and could be costly and time consuming to address or

defend. Gaming Assets may also be subject to additional criminal liability related to child pornography or child sexual exploitation under other domestic and international laws and regulations.

### **Risks Related to Information Technology, Systems and Networks and Data Protection**

Assets rely on the efficient and uninterrupted operation of complex information technology systems and networks, some of which are within such Assets and some of which are managed or hosted by third-party providers. All information technology systems and networks are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to cyber-attacks, computer viruses, malicious software, security breaches, energy blackouts, natural disasters, terrorism, war, and telecommunication failures.

Assets may also face sophisticated attacks, referred to as advanced persistent threats, which are cyber-attacks aimed at compromising our intellectual property and other commercially sensitive information, such as the source code and game assets for our software or confidential customer or employee information, which remain undetected for prolonged periods of time.

Information technology system disruptions, network failures, or security breaches could negatively affect the business continuity, operations and financial results of certain Assets. These risks extend to the networks and e-commerce sites of console platform providers and other partners who sell or host such Assets' content online. The risk of such threats may be heightened as a result of an extended period of remote work arrangements due to COVID-19. The techniques used to exploit, disable, damage, disrupt or gain access to networks, products and services, supporting technological infrastructure, intellectual property and other assets change frequently, continue to evolve in sophistication and volume, and often are not detected for long periods of time. The systems, processes and technologies of certain Assets, as well as those of their business partners, may not be adequate against all eventualities. In addition, the costs to respond to, mitigate, or notify affected parties of cyber-attacks and other security vulnerabilities are significant. Any failure to prevent or mitigate security breaches or cyber risks, or detect or respond adequately to a security breach or cyber risk, could result in a loss of anticipated revenue, interruptions to products and services, significant remediation and notification costs, degradation of the user experience, consumers' loss of confidence in the products and services of Assets, and significant legal and financial costs. Additionally, applicable insurance policies may be insufficient to reimburse an Asset for all such losses, and it is uncertain whether it will be able to maintain the current level of insurance coverage in the future on reasonable terms or at all.

Successful exploitation of Assets' systems can have other negative effects upon the products, services and user experience such Assets offer. In particular, the virtual economies established in certain games are subject to abuse, exploitation and other forms of fraudulent activity that can negatively affect the business of certain Assets. Virtual economies involve the use of virtual currency or virtual assets that can be used or redeemed by a player within a particular game or service. The abuse or exploitation of virtual economies can include the illegitimate generation and sale of virtual items in black markets. These kinds of activities and the steps that Assets may take to address and prevent these issues may result in a loss of anticipated revenue, interfere with a user's experience and cause reputational harm.

If an Asset experiences outages, constraints, disruptions or degradations in its services, platform support and/or technological infrastructure, its ability to provide sufficiently reliable services to its users and maintain the performance of its platform could be negatively impacted, which could harm such Asset's relationships with its developers, creators, and users, and consequently, the Funds' investment returns.

Assets may rely on third-party providers for of backend services. As a result, an Asset's operations may depend, in part, on such third-party providers' ability to protect their services against damage or interruption due to a variety of factors, including infrastructure changes, human or software errors, natural disasters, power or telecommunications failures, criminal acts, capacity constraints and similar events. Assets' developers, creators, and users need to be able to access their platform at any time, without interruption or degradation of performance. Assets' platform may depend, in part, on virtual cloud infrastructure. Although Assets may have disaster recovery plans that utilize multiple virtual cloud infrastructure availability zones to support their requirements, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake or other natural disasters, power loss, telecommunications failures, cyber-attacks, terrorist or other attacks, and other similar events beyond our control, could adversely affect an Asset's cloud-native platform. Any such disruption or interference could impair an Asset's ability to deliver its platform reliably to its developers, creators, and users. Additionally, threats or attacks from computer malware, ransomware, viruses, social engineering (including phishing attacks), denial of service or other attacks, employee theft or misuse and general hacking have occurred in the past and are becoming more prevalent in the gaming and software industries, particularly against cloud-native services and vendors of security solutions. If virtual cloud infrastructure used by Assets were to experience any of these security incidents, it could result in unauthorized access to, damage to, disablement or encryption of, use or misuse of, disclosure of, modification of, destruction of, or loss of their data or developers', creators', and users' data or disrupt an Asset's ability to provide its platform or service. A prolonged service disruption affecting cloud-native platforms for any of the foregoing reasons would adversely impact an Asset's ability to serve its users, developers, and creators and could damage its reputation with current and potential users, developers, and creators, expose an Asset to liability, result in substantial costs for remediation, cause an Asset to lose users, developers, and creators, or otherwise harm an Asset's business, financial condition, or results of operations. A Asset may also incur significant costs for using alternative hosting cloud infrastructure services or taking other actions in preparation for, or in reaction to, events that damage or interfere with such services an Asset uses.

If the security of the Funds' Asset's platform is compromised, it could compromise their and their developers', creators', and users' proprietary information, disrupt their internal operations and harm public perception of our platform, which could cause the Funds' business to suffer.

A breach, whether physical, electronic or otherwise, of the systems on which an Asset source code and other sensitive data are stored could lead to damage or piracy of its software. In addition, certain parties with whom Assets do business are given access to their sensitive and proprietary information in order to provide services and support. These third parties may misappropriate such information and engage in unauthorized use of it. If Gaming Assets, Software Assets or these third parties are subject to data security breaches, such Assets may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures which could materially and adversely affect the Funds' business, financial condition and operating results. Any theft and/or unauthorized use or publication of Assets trade secrets and other confidential business information as a result of such an event could adversely affect their competitive position, reputation, brand, and future sales of products. Assets' business could be subject to significant disruption, and could suffer monetary and other losses and reputational harm, in the event of such incidents and claims.

### **Risks Related to Software Errors**

The technological advancements of new hardware platforms result in the development of more complex software products. As software products become more complex, the risk of undetected

errors in new products increases. Assets may need to produce and distribute patches in order to repair such errors, which could be costly and may distract an Asset's developers from working on new products.

If, despite testing, errors are found in new products or releases after shipments have been made, Assets may need to suspend distribution of defective products or offer refunds, and could experience a loss of or delay in timely market acceptance, product returns, loss of revenue, increases in costs relating to the repair of such errors and damage an Asset's reputation.

### **Risks Related to "Cheating" Programs and Scammers**

Third parties unrelated to gaming companies may develop "cheating" programs that enable players to exploit vulnerabilities in certain games, play them in an automated way, collude to alter the intended game play or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly, may disrupt the virtual economies of games and reduce the demand for virtual items, disrupting in-game economies. In addition, unrelated third parties may attempt to scam players with fake offers for virtual items or other game benefits. If a Gaming Asset is unable to devote significant resources to discover, discourage and disable these cheating and scam programs and activities, such Gaming Asset's operations may be disrupted, its reputation may be damaged, players may stop playing its games and its ability to reliably validate audience metrics may be negatively affected. These cheating programs and scam offers result in lost revenue from paying players, disrupt in-game economies, divert time from Gaming Assets' personnel, increase costs of developing technological measures to combat these programs and activities, increase customer service costs needed to respond to dissatisfied players, and may lead to legal claims.

If the Funds are not successful in ensuring that their Gaming Assets establish and maintain awareness of their brand and games, if the Gaming Assets incur excessive expenses promoting and maintaining their brand or games, or if Gaming Assets' products contain defects or objectionable content, the investment returns could be impacted.

### **Risks Related to Unencrypted Platform Communications**

Communications on the platforms of Assets may not be encrypted at this time. As such, any data security incident that involves unauthorized access, acquisition, disclosure, or use may be more impactful to such Assets' businesses. Assets may experience greater incident response forensics, data recovery, legal fees, and costs related to data security incidents potential incident, and may face an increased risk of reputational harm, regulatory enforcement, and consumer litigation, which could further harm the business, financial condition, results of operations, and future business opportunities of an Asset.

### **Risks Related to Platform Security**

Assets may collect and store personal data and other sensitive and proprietary information in the operation of business, including developer, creator and user information, and other confidential data. While these Assets may implement measures designed to prevent unauthorized access to or loss of confidential data, mobile malware, viruses, hacking, social engineering, spam and phishing attacks may occur in the future. Popular gaming platforms may be particularly attractive targets for these sorts of attacks.

The techniques used to obtain unauthorized access to, or to sabotage, systems or networks, are constantly evolving and generally are not recognized until launched against a target.

Consequently, Assets may be unable to anticipate these techniques, react in a timely manner, or implement preventive measures, which could result in delays in detection or remediation of, or other responses to, security breaches and other security-related incidents. The wide availability of open source software used in the solutions of certain Assets could also expose such Assets to security vulnerabilities.

If any unauthorized access to an Asset's network, systems or data, including sensitive and proprietary information, personal data from users, developers or creators, or other data, or any other security breach occurs, whether as a result of third-party action, employee negligence, error or malfeasance, defects, social engineering techniques, or otherwise, such Asset's reputation, brand and competitive position could be damaged, users', developers', and creators' data and intellectual property could potentially be lost or compromised, and such Asset could be required to spend capital and other resources to alleviate problems caused by such actual or perceived breaches and remediate their systems, such Asset could be exposed to a risk of loss, litigation or regulatory action and possible liability, and such Asset's ability to operate their business may be impaired. Additionally, an Asset may contract with third parties to store and process data, including distribution channels, and these third parties face similar risks of actual and potential security breaches, which could present similar risks to the business, reputation, financial condition, and results of operations of an Asset.

The economic costs to reduce or alleviate cyber or other security problems such as spammers, errors, bugs, flaws, "cheating" programs, defects or corrupted data, could be significant and may be difficult to anticipate or measure. These issues may cause developers, creators, and users to use an Asset's platform less or stop using it altogether, and the costs could divert such Asset's attention and resources, any of which could result in claims, demands, and legal liability to such Asset, regulatory investigations and other proceedings, and otherwise harm our business, reputation, financial condition or results of operations. There could also be regulatory fines imposed for certain data breaches that take place around the world. For example, the California Consumer Privacy Act, or CCPA, also allows for a private right of action for certain data breaches that relate to a specified set of personal information.

### **Risks Related to Reliance on Third-Party Hosting and Cloud-Computing Providers**

Assets' technology infrastructure is critical to the performance of games, player satisfaction, as well as corporate functions. Assets may have games and company systems that run on complex distributed systems, or what is commonly known as cloud computing. While Assets may own, operate and maintain elements of their cloud-computing system, significant elements of these systems may be operated by third-parties that the Asset does not control and which would require significant time and expense to replace. Any interruptions in services that are significant and/or prolonged it could adversely affect an Asset's business, financial condition, results of operations or reputation.

### **Risks Related to Brand and Reputation**

Maintaining, protecting and enhancing Assets' reputation and brand is critical to grow the number of developers, creators, and users on such companies' platforms. Maintaining, protecting and enhancing brands will depend largely on the ability of an Asset to continue to provide high-quality, engaging and shared experiences and services on their platforms. If users, developers, or creators do not perceive such Asset's platform to be of high quality, the value of the brand could diminish, thereby decreasing the attractiveness of the platform to users.

Reputation and brand may also be negatively affected by the actions of users that are hostile, inappropriate or illegal, whether on or off Assets' platforms. In addition, users, developers or creators may become dissatisfied with billing or payment policies, the handling of personal data or other aspects of a platform. If an Asset fails to adequately address these or other user, developer, or creator complaints, negative publicity about such Asset or their respective platform could diminish confidence in and the use of such Asset's platform. Maintaining, protecting, and enhancing Assets' reputations and brands may require such Assets to make substantial investments, and these investments may not be successful. The reputation and brand of Assets are also important to attracting and retaining highly qualified employees. If Assets fail to successfully promote and maintain their reputation and brand or if they incur significant expenses in this effort, the business and financial results of such Assets may be adversely affected. The lack of encryption for communications on an Asset platform may increase the impact of data security incidents.

### **Risks Related to Intellectual Property Rights**

The success of certain Assets may depend to a significant degree on such Asset's ability to obtain, maintain, protect, and enforce intellectual property rights, including proprietary software technology, know-how, and brand. Certain Assets may rely on a combination of trademarks, trade secret laws, patents, copyrights, service marks, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect proprietary rights. However, the steps such Assets take to obtain, maintain, protect, and enforce our intellectual property rights may be inadequate. Assets will not be able to protect their intellectual property rights if unable to enforce such rights or if such Assets do not detect unauthorized use of their intellectual property rights. A failure to adequately protect intellectual property rights, or a failure to continuously innovate and advance their technology, may enable the competitors of certain Assets to gain access to such Asset's proprietary technology and develop and commercialize substantially identical products, services or technologies. In addition, defending intellectual property rights might entail significant expense and may not ultimately be successful.

Further, any patents, trademarks, or other intellectual property rights that an Asset has or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative processes, including re-examination, inter parts review, interference and derivation proceedings and equivalent proceedings in foreign jurisdictions, such as opposition proceedings, or litigation. While an Asset may submit patent applications, such applications are not guaranteed to result in issued patents. Any patents issued from pending or future patent applications or licensed to an Asset in the future may not provide such Assets with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite precautions that may be taken by an Asset, it may be possible for unauthorized third parties to copy such Asset's platforms and use proprietary information to create products that compete with the products of such Asset. Patent, trademark, copyright, and trade secret protection may not be available to an Asset in every country in which such an Asset's products are available. The value of an Asset's intellectual property could diminish if others assert rights in or ownership of such Asset's trademarks and other intellectual property rights, or trademarks that are similar to an Asset's trademarks. Assets may be unable to successfully resolve these types of conflicts. In some cases, litigation or other actions may be necessary to protect or enforce trademarks and other intellectual property rights. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. As an Asset expands its global activities, its exposure to unauthorized copying and use of their platforms and proprietary information will likely increase. Moreover, policing unauthorized use of an Asset's technologies,

trade secrets, and intellectual property may be difficult, expensive and time-consuming. Accordingly, despite its efforts, an Asset may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating intellectual property rights.

Assets may rely, in part, on trade secrets, proprietary know-how, and other confidential information to maintain their competitive position. While an Asset may enter into confidentiality and invention assignment agreements with their employees and consultants and enter into confidentiality agreements with other third parties, including suppliers and other partners, the Funds cannot guarantee that such Assets have entered into such agreements with each party that has or may have had access to such Assets' proprietary information, know-how and trade secrets or that has or may have developed intellectual property in connection with their engagement with such Asset. Moreover, these agreements are not guaranteed to be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering, or disclosure of the proprietary information, know-how, and trade secrets of such Assets. Further, these agreements may not prevent an Asset's competitors from independently developing technologies that are substantially equivalent or superior to such Asset's platforms. These agreements may be breached, and an Asset may not be able to detect any such breach and may not have adequate remedies for any such breach even if they know about it.

If the Funds' Assets are unable to protect the intellectual property relating to their software, the commercial value of their products will be adversely affected and their competitive position could be harmed.

### **Dependence On Patents, Trademarks And Other Intellectual Property**

Certain of the Funds investments will depend heavily on intellectual property rights, including patents, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject an Asset to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a gaming company's particular product.

### **Risks Related to Open-Source Software**

Assets may use open source software in their codebases and platforms. Some open source software licenses require users who make available open source software as part of their proprietary software to publicly disclose all or part of the source code to such proprietary software or make available any derivative works of such software free of charge, under open source licensing terms. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on an Asset's use of the open source software. Enforcement activity for open source licenses can also be unpredictable. Were it determined that an Asset's use was not in compliance with a particular license, such Asset may be required to release its proprietary source code, defend claims, pay damages for breach of contract or copyright infringement, grant licenses to its patents, re-engineer its games or products, discontinue distribution in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from game development efforts, any of which could negatively impact such Asset's business. Open source compliance problems can also result in damage to reputation and challenges in recruitment or retention of engineering personnel.

### **Dependence on Third-Party Platforms**



Any interruptions or delays in services from third parties, including data center hosting facilities, cloud computing platform providers and other hardware and software vendors, or disruptions resulting from any portfolio company's inability to adequately plan for and manage service failures or infrastructure capacity requirements, could impair the delivery of services and products of such portfolio company and impact the results of operations. Portfolio companies could serve their customers from third-party data center hosting facilities, cloud computing platform providers and other third party platforms. Portfolio companies could also rely on computer hardware purchased or leased, if any, from, software licensed from, and cloud computing and other platforms provided by, third parties in order to offer services, including database software, hardware and data from a variety of vendors. Any disruption or damage to, or failure of a portfolio company's systems generally, including the systems of its third-party platform providers, could result in interruptions in its services. A portfolio company could from time to time experience interruptions in its services or operations and such interruptions. Also, portfolio companies may contract with other third-party data centers outside of the United States, which may carry risks that such portfolio company does not, or may not be able to, anticipate. Portfolio companies might not control the operation of any of these facilities and third party platforms, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. These hardware, software, data and cloud computing and other third party platforms may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these hardware, software or cloud computing or other platforms could significantly increase a portfolio company's expenses and otherwise result in delays of its services and operations until equivalent technology is obtained through. Additionally, improving a portfolio company's third party's platform's infrastructure and expanding its capacity in anticipation of growth in new channels and formats, as well as implementing technological enhancements to such platforms to improve efficiency and cost-effectiveness might be key components of business strategy, and if such third-party platforms are unable to keep up with growing needs, this could have an adverse effect on its business.

Gaming Assets may derive much or most of their revenue from the sale of products made for video game platforms manufactured by third parties, such as Sony's PS4 and PS5 and Microsoft's Xbox One and Xbox Series X|S. The success of a Gaming Asset's businesses is subject to the continued popularity of these platforms and the ability of such Gaming Assets to develop commercially successful products for these platforms.

In 2020, Sony and Microsoft each launched their respective next generation consoles. Historically, when next generation consoles are announced or introduced into the market, consumers have typically reduced their purchases of products for prior-generation consoles in anticipation of purchasing a next-generation console and products for that console. During these periods, sales of the products a Gaming Asset publishes may decline until new platforms achieve wide consumer acceptance. Console transitions may have a comparable impact on sales of downloadable content, amplifying the impact on such Gaming Assets' revenues. This decline may not be offset by increased sales of products for the next-generation consoles. In addition, as console hardware moves through its life cycle, hardware manufacturers typically enact price reductions, and decreasing prices may put downward pressure on software prices. During console transitions, a Gaming Asset may simultaneously incur costs both in continuing to develop and market new titles for prior-generation video game platforms, which may not sell at premium prices, and also in developing products for next-generation platforms, which may not generate immediate or near-term revenues. As a result, such Gaming Asset's businesses and operating results may be more volatile and difficult to predict during console transitions than during other times.

Gaming Assets may rely upon third-party digital delivery platforms, such as Microsoft's Xbox Live, PlayStation Network, Steam, Epic, and other third-party service providers, to provide connectivity from the consumer to such Gaming Assets' digital products and online services. Connectivity issues could prevent users from accessing this content and a Gaming Asset's ability to successfully market and sell products could be adversely affected. Given the increasing global usage of online platforms, in part as a result of the COVID-19 pandemic, the risks of connectivity issues may be heightened. In addition, a Gaming Asset could experience similar issues related to services hosted on internal servers. Such issues also could affect such Gaming Asset's ability to provide game-related services and could have a material adverse effect on its business, financial condition, and operating results.

A Gaming Asset may utilize platforms that are used through mobile devices and, as a result, such Gaming Assets' applications must remain interoperable with mobile app stores, similar operating systems and related hardware. Further, such Gaming Assets are subject to the standard policies and terms of service of these operating systems, as well as policies and terms of service of the various application stores that make applications and experiences available to the Gaming Assets' developers, creators, and users. These policies and terms of service govern the availability, promotion, distribution, content, and operation generally of applications and experiences on such operating systems. As a result, Gaming Assets may not successfully cultivate relationships with key industry participants or develop products that operate effectively with these technologies, operating systems, networks, regulations, or standards. If it becomes more difficult for users to access and engage with certain Gaming Assets' platforms through mobile devices, if users choose not to access or use the platform applications through mobile devices or if users choose to use mobile products that do not offer access to the Funds' Gaming Assets platforms, the business and user retention, growth, and engagement of such Gaming Assets could be significantly harmed.

The owners and operators of these mobile application platforms and operating systems, primarily Apple and Google, each have approval authority over the deployment of platforms on their systems and may offer consumers products that may compete with the products of the Funds' Gaming Assets. Additionally, mobile devices are manufactured by a wide array of companies. Those companies have no obligation to test the interoperability of new mobile devices with platform applications and may produce new products that are incompatible with or not optimal for the platforms of the Funds' Gaming Assets. Neither the Funds nor any of the Gaming Assets have control over these operating systems, application stores, or hardware, and any changes to these systems or hardware that degrade a platform's functionality, or give preferential treatment to competitive products, could significantly harm platform usage on mobile devices and may adversely affect the operations and revenues of a Gaming Asset. An operating system provider or application store could also limit or discontinue access to its operating system or store if it establishes more favorable relationships with one or more of a Gaming Asset's competitors, launches a competing product itself, or it otherwise determines that it is in its business interests to do so. Competitors that control the operating systems and related hardware on which a Gaming Asset's application may run could make interoperability of such Gaming Asset's platform with those mobile operating systems more difficult or display their competitive offerings more prominently. Additionally, competitors that control the standards for the application stores for their operating systems could make a Gaming Asset's platform application, or certain features of its platform, inaccessible for a potentially significant period of time. Such inaccessibility may adversely affect the operations and revenues of a Gaming Asset.

Moreover, a Gaming Asset may have platforms that require high-bandwidth data capabilities. If the costs of data usage increase or access to cellular networks is limited, user retention, growth, and engagement may be significantly harmed. Additionally, to deliver high-quality video and other

content over mobile cellular networks, Gaming Assets' platforms must work well with a range of mobile technologies, systems, networks, regulations, and standards that neither the Gaming Assets nor the Funds control. In particular, future changes to the iOS or Android operating systems or application stores may impact the accessibility, speed, functionality, and other performance aspects of Gaming Assets' platforms, and result in issues in the future from time to time. In addition, the proposal or adoption of any laws, regulations, or initiatives that adversely affect the growth, popularity, or use of the internet, including laws governing internet neutrality, could decrease the demand for Gaming Assets' platforms and increase such Gaming Assets' costs of doing business.

For experiences accessed through mobile platforms such as the Apple App Store and the Google Play Store, certain Gaming Assets may be required to share a portion of the proceeds from in-game sales with the platform providers. For operations through the Apple App Store and Google Play Store, such Gaming Assets would be obligated to share the fee paid by users to purchase in-game currency and the sharing percentage could be increased. For such Gaming Assets, these costs are likely to remain a significant operating expense for the foreseeable future. If the amount these platform providers charge increases, it could have a material impact on the ability of such Gaming Assets to pay developers and may adversely affect the operations and revenues of such Gaming Assets. The providers of an operating system or application store may also change its fee structure, add fees associated with access to and use of its operating system, alter how its users are able to advertise on their operating system, change how the personal or other information of its users is made available to application developers on their operating system, limit the use of personal information for advertising purposes or restrict how end-users can share information on their operating system or across other platforms.

Restrictions on a Gaming Asset's ability to collect, process, and use data as desired could negatively impact such Gaming Asset's ability to leverage data about the experiences its developers create. This in turn could impact resource planning and feature development planning for such Gaming Asset's platform. Similarly, at any time, these operating system providers or application stores can change their policies on how a Gaming Asset operates on their operating system or in their application stores by, for example, applying content moderation for applications and advertising or imposing technical or code requirements. Actions by operating system providers or application stores such as the Apple App Store and the Google Play Store may affect the manner in which a Gaming Asset collects, processes and uses data from end-user devices. Accordingly, future changes implemented by Apple or Google could adversely impact such Gaming Asset's revenue and the performance of the Funds. In addition, these operating systems and application stores could change their business models and could, for example, increase application store fees, which could have an adverse impact on the business of the Gaming Assets. There are currently litigation and governmental inquiries over the application store fees, and Apple or Google could modify their platform in response to litigation and inquiries in a manner that may harm certain Gaming Assets.

Each provider of these operating systems and stores has broad discretion to change and interpret its terms of service and policies with respect to a Gaming Asset's platform and those changes may be unfavorable to such Gaming Asset, its developers, creators and users. If a Gaming Asset were to violate, or an operating system provider or application store believes that such Gaming Asset has violated, its terms of service or policies, that operating system provider or application store could limit or discontinue the Gaming Asset's access to its operating system or store. In some cases these requirements may not be clear or a Gaming Asset's interpretation of the requirements may not align with the interpretation of the operating system provider or application store, which could lead to inconsistent enforcement of terms of service or policies against a Gaming Asset, and could also result in the operating system provider or application store limiting

or discontinuing access to its operating system or store. Any limitation on or discontinuation of a Gaming Asset's access to any third-party platform or application store could adversely affect such Gaming Asset's business, financial condition or results of operations and the performance of the Funds.

Gaming Assets may depend on effective operations with mobile operating systems, hardware, and networks that they may not necessarily be able to control. Changes to any of these or their platform may significantly harm their user retention, growth, engagement, and monetization, or require them to change data collection and privacy practices, business models, operations, practices, advertising activities, or application content, which could restrict their ability to maintain their platform through these systems, hardware and networks and ultimately could adversely impact the value of the Gaming Assets.

### **Reliance on Third-Party Distribution Channels for User Purchases**

Purchases of products (e.g., in-game currency, e-gift cards) on the platforms of certain Assets may be facilitated through third-party online distribution channels. Such Assets may utilize distribution channels such as Amazon, Apple, Blackhawk, ePay, Google, Incomm, PayPal, Vantiv, or Xsolla, to receive cash proceeds from sales of products through direct purchases on such Assets' platform. Any scheduled or unscheduled interruption in the ability of users to transact with these distribution channels could adversely affect payment collection and, in turn, the revenue and bookings of such Assets.

The business of an Asset depends on its relationship with its distribution channels and its ability to develop new and emerging channels, if terms and conditions or fee structure changes to such Asset's detriment, if such Asset violates, or if a channel believes that such Asset has violated, their terms and conditions, or if any of these distribution channels loses market share or falls out of favor or is unavailable for a prolonged period of time. Any changes that affect an Asset's use of these distribution channels may decrease the visibility or availability of such Asset's platform, limit its distribution capabilities, prevent access to its platform, or result in the exclusion or limitation of its platform on those distribution channels.

Assets may not directly process purchases of products on their platforms. Any information on those purchases (e.g., debit and credit card numbers and expiration dates, personal information, and billing addresses) may be disclosed to the third-party online platform and service providers facilitating purchases by users. Neither the Funds nor any Asset has control over the security measures of those providers, and their security measures may not be adequate. Assets could be exposed to litigation and possible liability if their users' transaction information involving in-game purchases is compromised, which could harm such Assets' reputations and their ability to attract users and may materially adversely affect the businesses of such Assets and the performance of the Funds.

Certain Assets may also rely on the stability of such distribution channels and their payment transmissions to ensure the continued payment services provided to users. If any of these providers fail to process or ensure the security of users' payments for any reason, the reputations of such Assets may be damaged and consequently they may lose users, which, in turn, may materially adversely affect the businesses of such Assets and the performance of the Funds.

In addition, from time to time, Assets may encounter fraudulent use of payment methods, which could impact the results of operations and, if not adequately controlled and managed, could create negative consumer perceptions of an Assets' services. If an Asset is unable to maintain fraud and chargeback rates at acceptable levels, card networks may impose fines, card approval rate

may be impacted and an Asset may be subject to additional card authentication requirements. The termination of an Asset's ability to process payments on any major payment method would significantly impair its ability to operate and may materially adversely affect the businesses and value of such Assets and the performance of the Funds.

### **Risks Related to Sales**

Software Assets may not be able to maintain or expand their customer base for its software and services offerings to grow revenue or achieve sustained profitability. For Software Assets to increase their software and services revenues, they must continually grow their customer base by attracting new customers or, in the case of existing customers, deploying software and services across more endpoints or attracting additional users in such existing customers' businesses. If the Software Assets are unable to promote a compelling value proposition to customers and their efforts to sell or upsell software or services are not successful, their results of operations could be materially impacted. Further, although recent attacks on prominent enterprises have increased market awareness of the importance of cybersecurity, if the general level of cyberattacks declines or customers perceive that it has declined, Software Assets' abilities to attract new customers and expand its sales to existing customers could be harmed.

Customers that purchase Software Assets' software and services may not have a contractual obligation to renew their subscriptions or purchase additional solutions after the initial subscription or contract period. Customers' expansion and renewal rates may decline or fluctuate as a result of a number of factors, including the perceived need for such additional software and services, the level of satisfaction with the Software Assets' software and services, features or functionality, the reliability of the Software Assets' software and services, the Software Assets' customer support, customer budgets and other competitive factors, such as pricing and competitors' offerings. For smaller or simpler deployments, the switching costs and time are relatively minor compared to traditional enterprise software deployments and such a customer may more easily decide not to renew with the Software Assets and switch to a competitor's offerings. For larger deployments, particularly with enterprise customers in highly regulated industries such as financial services, government, healthcare and transportation, Software Assets may be subject to risks related to increased customer bargaining power, longer sales cycles, regulatory changes, compliance with procurement requirements and contractual performance covenants, and enhanced customer support obligations.

Software Assets must invest significant time and resources in providing ongoing value to customers and in enhancing their reputation as enterprise software vendors. If these efforts fail, or if the Software Assets' customers do not renew for other reasons, or if they renew on terms less favorable to the Software Asset, a Fund's revenue may decline and its results of operations could be materially impacted.

Software Assets' ability to grow software and services revenue is also dependent on their ability to expand their distribution capabilities with partners, resellers and licensees and its ability to maintain a qualified direct sales force, which requires significant time and resources, including investment in systems and training. From time to time, Software Assets may choose to reorganize its go-to-market teams in an effort to better leverage its sales resources and improve customer service. These reorganizations, which may include investments in educating Software Assets' sales force, can cause short-term disruptions and may negatively impact sales. There can be no assurance that the Software Assets will be successful in implementing its sales and distribution strategy.

If Software Assets' customers fail to renew their support agreements, or if customers do not license updated products on terms favorable to Software Assets, revenues could be adversely affected. The IT industry generally has been experiencing increasing pricing pressure from customers when purchasing or renewing support agreements. Moreover, the trend towards consolidation in certain industries, such as financial services, could result in a reduction of the software under agreement and put pressure on maintenance and support terms with customers who have merged. Given this environment, there can be no assurance that Software Assets' customers will renew their maintenance agreements or agree to the same terms when they renew, which could result in reducing or losing maintenance fees. If Software Assets' customers fail to renew their maintenance agreements, or if we are unable to generate additional maintenance fees through the licensing of updated products to existing or new customers, a Fund's business and future operating results could be adversely affected.

The increased importance of digital content delivery in the gaming and software industries, including through subscription-based access to a portfolio of interactive content, may increase potential competition for certain Assets, as the minimum capital needed to produce and publish a digitally delivered game is significantly less than that needed to produce and publish one that is delivered through retail distribution. This marketing shift may require Assets to dedicate capital to developing and implementing alternative marketing strategies, which may not be successful. If either occurs, an Asset may be unable to effectively market and distribute its products, which could materially adversely affect its business, financial condition, and operating results. In addition, a continuing shift to digital delivery could result in a deprioritization of an Asset's products by traditional retailers. The increasing importance of digital sales to the business of Assets could also result in increasing issues with the digital distribution process, including difficulties such as Asset's distributors have with collecting from consumers and any associated rebates such as Assets would owe.

Software Assets' business depends on the overall demand for IT and enterprise software spend and on the economic health of prospective customers. Any meaningful reduction in IT or enterprise software spending or weakness in the economic health of prospective customers could harm Software Assets' business in a number of ways, including longer sales cycles and lower prices for their solutions.

### **Seasonality**

Gaming Assets may have highly seasonal business, with the highest percentage of sales occurring in the fourth quarter when holidays permit users to spend increased time on Gaming Assets' platforms. Gaming Assets may also experience fluctuations due to factors that may be outside of their control that affect user or developer and creator engagement with their platforms. For example, an increase in activity on Gaming Assets' platforms may increase as a result of shelter-in-place policies instituted in response to the COVID-19 pandemic, but such increase in activity levels may not be sustained following termination or modifications to such shelter-in-place policies.

### **Target Rating Risks**

Certain Gaming Assets may submit game products to the Entertainment Software Rating Board (**ESRB**), a U.S.-based non-profit and independent ratings organization. The ESRB system provides consumers with information about game content using a rating symbol that generally suggests the appropriate player age group and specific content descriptors, such as graphic violence, profanity or sexually explicit material.

The ESRB may impose significant penalties on game publishers for violations of its rules related to rating or marketing games, including revocation of a rating or monetary fines. Other countries require voluntary or government backed ratings as prerequisites for product sales. In some instances, a Gaming Asset may have to modify its products in order to market them under the target rating, which could delay or disrupt the release of such products. In addition, some titles may not be sold at all or without extensive edits in certain countries.

In the U.S., if the ESRB rates a game as “AO” (age 18 and older), platform licensors may not certify the game and retailers may refuse to sell it. In addition, some consumers may react to re-ratings or controversial game content by refusing to purchase such games, demanding refunds for games that they have already purchased, and refraining from buying other games from the same publisher.

If a Gaming Asset is unable to obtain “M” (age 17 and older) ratings and instead receives “AO” ratings on a game as a result of changes in the ESRB's ratings standards or for other reasons, including the adoption of legislation in this area, such Gaming Asset's business and prospects could be negatively affected. If any of a Gaming Asset's games are re-rated by the ESRB or other foreign-based ratings organizations, such Gaming Asset could be exposed to litigation, administrative fines and penalties and other potential liabilities, and the Gaming Asset's operating results and financial condition could be significantly affected and the performance of the Funds may be adversely affected.

While a Gaming Asset may have implemented processes to comply with the requirements of the ESRB and other ratings organizations and properly display the designated rating symbols and content descriptions, these processes may nonetheless be subject to human error, circumvention, overriding, and reasonable resource constraints. If a video game a Gaming Asset publishes were found to contain undisclosed pertinent content, the ESRB could re-rate a game, retailers could refuse to sell it and demand that such Gaming Asset accept the return of any unsold copies or returns from users, and consumers could refuse to buy it or demand that the Gaming Asset refund their money. This could have a material negative effect on such Gaming Asset's operating results and financial condition and may adversely affect the performance of the Funds. In addition, such Gaming Asset may be exposed to litigation, administrative fines, and penalties, and its reputation could be harmed, which could affect sales of other video games. If any of these were to occur, such Gaming Asset's business and financial performance could be significantly harmed and the performance of the Funds may be adversely affected.

### **Risks Related to Internet-Regulation**

Certain Assets may rely on consumers' access to significant levels of internet bandwidth for the sale and digital delivery of content and the functionality of games with online features. Changes in laws or regulations that adversely affect the growth, popularity, or use of the internet, including laws affecting “net neutrality” or measures enacted in certain jurisdictions as a result of the COVID-19 pandemic, could decrease the demand for the Funds' Assets' products and services or increase cost of doing business.

Although certain jurisdictions have implemented laws and regulations intended to prevent internet service providers from discriminating against particular types of legal traffic on their networks, other jurisdictions may lack such laws and regulations or repeal existing laws or regulations. For example, on December 14, 2017, the Federal Communications Commission voted to repeal net neutrality regulations in the U.S., and, following that decision, several states enacted net neutrality regulations. Given uncertainty around these rules, including changing interpretations, amendments, or repeal, coupled with the potentially significant political and economic power of local internet service providers and the relatively significant level of internet bandwidth access that

may be required by the products and services of certain Assets, such Assets could experience discriminatory or anti-competitive practices that could impede their growth, incur additional expenses, or otherwise negatively affect the business of such Assets.

### **Software Development Risks**

The Funds and the Software Assets may not be able to enhance, develop, introduce or monetize products and services for the enterprise market in a timely manner with competitive pricing, features and performance. The industries in which the Funds compete are characterized by rapid technological change, frequent new product introductions, frequent market price reductions, constant improvements in features and short product life cycles. A Fund's future success depends upon its Software Assets' ability to enhance and integrate their current products and services, to provide for their compatibility with evolving industry standards and operating systems, to address competing technologies and products developed by other companies, and to continue to develop and introduce new products and services offering enhanced performance and functionality on a timely basis at competitive prices.

The process of developing new technology is complex and uncertain, and involves time, substantial costs and risks, which are further magnified when the development process involves multiple operating platforms. The development of next-generation technologies that utilize new and advanced features, including artificial intelligence and machine learning, involves making predictions regarding the willingness of the market to adopt such technologies over legacy solutions. The Software Assets may be required to commit significant resources to developing new products, software and services before knowing whether such investment will result in products or services that the market will accept.

The Software Assets' inability, for technological or other reasons, some of which may be beyond their control, to enhance, develop, introduce and monetize products and services in a timely manner, or at all, in response to changing market conditions or customer requirements could have a material adverse effect on the Funds' business, results of operations and financial condition or could result in its products and services not achieving market acceptance or becoming obsolete. In addition, if Software Assets fail to deliver a compelling customer experience or accurately predict emerging technological trends and the changing needs of customers and end users, or if the features of its new products and services do not meet the demands of its customers or are not sufficiently differentiated from those of its competitors, the Funds' business, results of operations and financial condition could be materially harmed.

### **Dependence on "Hit" Titles or Sequels**

Certain Gaming Assets may publish "hit" products that may account for a substantial portion of revenue. If such Gaming Assets fail to continue to develop and sell new commercially successful "hit" titles or sequels to such "hit" titles or experience any delays in product releases or disruptions following the commercial release of "hit" titles or their sequels, such Gaming Assets may see revenue and profits decrease substantially and may incur losses. In addition, competition in the gaming industry is intense and a relatively small number of hit titles account for a large portion of total revenue in the industry. Hit products offered by the competitors of certain Gaming Assets may take a larger share of consumer spending than anticipated, which could cause revenue generated from such Gaming Assets' products to fall below expectations. If competitors develop more successful products or services at lower price points or based on payment models perceived as offering better value, or if such Gaming Assets do not continue to develop consistently high quality and well-received products and services, revenue and profitability may decline. In addition, both the online and mobile games marketplaces are characterized by frequent product



introductions, relatively low barriers to entry, and new and evolving business methods, technologies and platforms for development. Widespread consumer adoption of these new platforms for games and other technological advances in and/or new business or payment models in online or mobile game offerings could negatively affect certain Gaming Assets' sales of console and traditional PC products before such Gaming Assets have an opportunity to develop profitable businesses in such markets.

### **Dependence on a Small Number of Games for Revenue**

Certain Gaming Assets may be dependent on a small number of games for a majority of their revenue. Revenue and bookings from many of such Gaming Assets' games may decline over time after reaching a peak of popularity and player usage. As a result, the business of such Gaming Assets may depend on their ability to engage with players by consistently and timely launching new games and enhancing existing games with new content, features and events.

It is difficult to consistently anticipate player demand on a large scale, particularly in relation to evolving player behavior and preferences in response to the COVID-19 pandemic. If such Gaming Assets do not successfully launch games that attract and retain a significant number of players and extend the life of such existing games, such Gaming Assets' market share, brand and financial results will be harmed and the performance of the Funds may be adversely affected.

### **Product Development Risks**

Assets may depend on internal development studios and third-party software developers to develop new software within anticipated release schedules and cost projections. If an Asset's or its third-party developers experience unanticipated development delays, financial difficulties, or additional costs, for example, as a result of COVID-19, such Asset may not be able to release products according to its schedule and at budgeted costs. There can be no assurance that an Asset's products will be sufficiently successful to recoup these costs or make a profit on these products.

Additionally, in order to stay competitive, Assets' internal development studios must anticipate and adapt to rapid technological changes affecting software development, such as cloud-based streaming. Any inability to respond to technological advances and implement new technologies could render such Asset's products obsolete or less marketable. Further, the failure to pursue the development of new technology, platforms, or business models that obtain meaningful commercial success in a timely manner may negatively affect an Asset's business, resulting in increased production or development costs and more strenuous competition.

The new products of certain Assets may not achieve significant market acceptance, generate sufficient sales, or be introduced in a timely manner to permit such Assets to recover development, manufacturing and marketing costs associated with these products. The life cycle of a title generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales. Because sales associated with an initial product launch generally constitute a high percentage of the total sales associated with the life of a product, delays in product releases or disruptions following the commercial release of one or more new products could have a material adverse effect on an Asset's business, financial condition, and operating results and therefore cause such Asset's operating results to be materially different from expectations.

The Funds depend on Assets' developers to create digital content that their users find compelling. The Funds may not succeed in realizing value on its investments if its Assets are unable to

entertain their users, improve the experience of users, or properly incentivize their developers and creators to develop content.

### **Software Development Risks**

If the Software Assets are unable to develop new products and solutions, adapt to technological change, sell products and solutions into new markets, or further penetrate existing markets, their revenue may not grow as expected. Software Assets' ability to increase sales will depend, in large part, on their ability to enhance and improve their products and solutions, introduce new products, solutions, software, features, or services and in a timely manner, sell into new markets and further penetrate existing markets. The success of any enhancement or new product or solution depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new products and solutions, the ability to maintain and develop relationships with partners and vendors, the ability to attract, retain and effectively train sales and marketing personnel, the effectiveness of marketing programs, and the ability of products and solutions to maintain compatibility with a wide range of connected devices. Any new product or solution the Software Assets develop or acquire may not be introduced in a timely or cost-effective manner, and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which a Software Asset attempt to sell their products and solutions, including new vertical markets (e.g., commercial office) and new countries or regions, may not be receptive.

Software Assets' software may be complex and may have a lengthy implementation process, and any failure of Software Asset's software to satisfy its customers or perform as desired could harm its business, results of operations, and financial condition. Software Assets' software and services may be complex and deployed in a wide variety of environments. Implementing software can be a complex and lengthy process since it is often configure their existing software for a customer's unique environment. Inability to meet the unique needs of customers may result in customer dissatisfaction and/or damage to Software Assets' reputation, which could materially harm a Fund's business. Further, the proper use of Software Assets software may require training of the customer and the initial or ongoing services of Software Assets technical personnel over the contract term. If training and/or ongoing services require more of Software Assets' expenditures than they originally estimated, margins will be lower than projected. In addition, if customers do not use Software Assets' software correctly or as intended, inadequate performance or outcomes may result. It is possible that software may also be intentionally misused or abused by customers or their employees or third parties who obtain access and use of software. Similarly, software is sometimes used by customers with smaller or less sophisticated IT departments, potentially resulting in sub-optimal performance at a level lower than anticipated by the customer. Because customers rely on Software Assets' software and services to address important business goals and challenges, the incorrect or improper use or configuration of Software Assets' software, failure to properly train customers on how to efficiently and effectively use software, or failure to properly provide implementation or analytical or maintenance services to customers may result in contract terminations or nonrenewals, reduced customer payments, negative publicity, or legal claims against Software Assets.

### **Investments In Operating Turnarounds**

In some cases, the success of the Funds' investment strategy will depend in part on a Fund's ability to effect improvements in the operations of a gaming company. The activity of identifying and implementing operating improvements at gaming companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such improvements.

## **Global Economic Conditions**

The Funds' performance depend significantly on worldwide economic conditions. Various sectors of the U.S. and global financial markets have experienced increased volatility. The financial services industry generally and investment activities are affected by general economic and market conditions, including interest rates, availability of credit, lack of price transparency, inflation rates, economic uncertainty, changes in tax and other applicable laws and regulations, trade barriers, national and international and environmental and socioeconomic circumstances. In addition, some economists, observers and market participants have expressed concern regarding the sustainability of the European Monetary Union and the impacts of the "Sequester" on the U.S. economy. Recent examples of sovereign debt crises include Greece, Argentina and Puerto Rico. Although the Funds do not intend to invest in these jurisdictions, these conditions and other disruptions to international credit markets and financial systems have caused a loss of investor confidence and resulted in widening credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Despite the aggressive measures taken by governments and central banks, economic recovery has been extremely slow. There may be political and social instability in those jurisdictions which have adopted austerity measures in an attempt to manage their sovereign debt load, which could have wider destabilizing impacts on the global economy and commodity prices. A significant risk remains that these measures may not prevent the global economy from falling back into an even deeper and longer-lasting recession or even a depression.

A global economic downturn may result in cost inflation, commodity market fluctuations and otherwise adversely impact the Asset's profitability. Other effects could, for example, include:

- the insolvency of one or more of the Funds' joint venture partner which could result in contractual breaches and disruptions at the relevant Assets' operations;
- a reduction in the availability of credit which may make it more difficult for us to obtain financing for our operations and capital expenditures or make that financing more costly; and
- exposure to the liquidity and insolvency risks of any lenders to the Assets, any of which could negatively affect an Asset's operational results. Uncertainty regarding global economic conditions may increase volatility or negatively impact the market value of our securities.

## **Inflation**

Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of a Fund's assets can decline). Inflation may pose a risk to investors because it can reduce savings and investment returns. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt

to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a Fund's investments may not keep pace with inflation, which may result in losses to the Fund and its investors. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a Fund's returns. If inflation continues to increase, the real value of a Fund's investments could decline and the interest payments on a Fund's borrowings, if any, may increase.

### **Custody and Banking Risks**

The Funds will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Funds, their portfolio companies, the general partner and/or Haveli transact may inhibit the ability of the Funds or their portfolio companies to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Funds may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Funds. In the event of such a failure of a banking institution where the Fund or one or more of its portfolio companies holds depository accounts (including accounts used for depositing principal and interest payments from borrowers on loans owned by the Fund) access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation ("FDIC") protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Funds and their affected portfolio companies may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Funds or their portfolio companies. One or more investors or a Fund's general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Fund's general partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

### **Valuation of Assets.**

There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, Haveli will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of Haveli. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and differs from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise

of discretion in valuation by Haveli gives rise to conflicts of interest, valuations (including, for instance, determination of when an investment should be written down or written off) impact Haveli's track record and the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance fees and calculation of Management Fees.

### **Cybersecurity Risk.**

Haveli, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of Haveli and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of Haveli, the Funds' service providers and counterparties, as well as the data stored by these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Haveli's systems to disclose sensitive information in order to gain access to Haveli's data or that of the Funds' investors. A successful penetration or circumvention of the security of Haveli's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, Haveli or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, Haveli may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

Similar types of operational and technology risks are also present for the companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

### **Tax Reform Risks.**

On December 22, 2017, P.L. 115-97 (the "Tax Act"), originally introduced in Congress as the U.S. Tax Cuts and Jobs Act, was enacted. There continues to be uncertainty regarding certain aspects of this law and its application, and the current administration has announced that it is contemplating further legislation that may result in significant changes to the Internal Revenue Code of 1986, as amended. In addition, under current law, capital gains in respect of a general partner's right to Carried Interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to capital gains that Fund investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change

the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. A general partner and Haveli may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and Haveli, on the one hand, may diverge from the interests of the investors, on the other hand.

### **Sustainability - Value Creation Initiatives.**

While sustainability is only one of the many factors Haveli will consider in making an investment, there is no guarantee that Haveli will successfully implement and make investments in Assets that create positive, sustainable impact while enhancing long-term shareholder value and achieving financial returns. To the extent that Haveli engages with potential Assets on sustainability-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and sustainability results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of Haveli will depend on Haveli’s skill in properly identifying and analyzing material sustainability and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering sustainability qualities when evaluating an investment may result in the selection or exclusion of certain investments based on Haveli’s view of certain sustainability-related and other factors, and carries the risk that Haveli may underperform funds that do not take sustainability-related factors into account because the market may ultimately have a different view of a particular Asset’s performance than that anticipated by Haveli.

Consideration of sustainability-related factors may affect Haveli’s exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact Haveli’s performance depending on whether such investments are in or out of favor. Applying sustainability investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Haveli or any judgment exercised by Haveli will reflect the beliefs or values of any particular investor. In evaluating a company, Haveli is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause Haveli to incorrectly assess a company’s sustainability practices and/or related risks and opportunities. sustainability-related practices differ by region, industry and issue and are evolving accordingly, and a company’s sustainability-related practices or Haveli’s assessment of such practices may change over time.

Further, sustainability practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Haveli’s adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of sustainability-related factors. Haveli’s sustainability policies could become subject to additional regulation in the future, and Haveli cannot guarantee that its current approach will meet future regulatory requirements.

### **Climate Change.**

The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Funds’ business and operations. Physical impacts of climate change may include increased

storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Funds may be vulnerable to the following: risks of property damage to the Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

### **Possibility of Fraud and Other Misconduct of Employees and Service Providers.**

Misconduct by employees of Haveli, service providers to Haveli or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. Haveli has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Haveli will be able to identify or prevent such misconduct.

### **COVID-19**

The ongoing COVID-19 pandemic could have a material adverse impact on a Fund's employees, customers, partners, clients and other key stakeholders, which could materially and adversely affect a Fund's business, operating results and financial condition. Apart from the negative impact on the sales of goods, the COVID-19 pandemic and efforts to control its spread have caused significant disruptions to supply chains and such disruptions are likely to impact, among other things, the Funds' portfolio companies' ability to source goods at a preferred price or at all. Such disruptions to the Funds' portfolio companies will impact the performance of the Funds and indirectly the investors therein.

It has also caused extreme economic and financial market volatility, resulting in business shutdowns and a global economic downturn. The magnitude and duration of the COVID-19 pandemic and the magnitude and duration of its effect on business activity cannot be predicted with any certainty. In addition, as the COVID-19 pandemic subsides, a Fund cannot predict how the business, operations and its targeted markets may be impacted. While the long-term economic outlook is difficult to determine, a clear trend has emerged whereby employees across many industries are leaving their jobs at high rates. This trend may continue and is likely to impact Haveli's and the Funds' portfolio companies' ability to retain talent and to meet economic goals.

Government mandated closures of offices, vaccine mandates or other restrictions on workplaces and voluntary precautionary measures has and may continue to impact Haveli's ability to operate effectively, serve their customers, implement regulatory and technology changes, and undertake on-site audits or assessments that might be required by law or regulation. It may also become more challenging for the Funds to manage a growing workforce, as the Funds' ability to maintain a company culture and integrate new employees are affected by work-from-home policies. It is possible that the Funds' systems and controls are less effective as a result of our compliance and risk teams and other staff not being able to work from the Funds' offices. Failure to maintain adequate systems and controls may expose us to operational and regulatory risk.

### **Shortages in Skilled Labor**

The success of gaming companies is dependent on the availability of highly skilled and experienced employees. Global shortages of, and increased competition over, highly skilled and experienced workers may adversely affect the operations and revenues of a gaming company. Although Haveli places a high priority on hiring and retaining key talent, there can be no guarantee that it will not lose, or be able to attract, skilled employees. In addition, in Assets jointly owned or operated by one of the Funds' joint venture partners, there can be no assurance that such joint venture partner will not lose, or be able to attract, skilled labor. A shortage in such skilled labor may adversely affect the operations and revenues of an Assets and the performance of the Funds.

### **Reliance on Contractors**

A significant portion of the work related to the Assets may be conducted in whole or in part by contractors. Such operations are subject to a number of risks, some of which are outside the Funds' control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor in the event that either party terminates the agreement;
- reduced control over those aspects of operations that are the responsibility of the contractor;
- failure of a contractor to perform under its agreement;
- interruption of operations or increased costs in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance; and
- problems of a contractor with managing its workforce, labor unrest or other employment issues.

In addition, any Asset may incur liability with respect to third parties as a result of the actions of its contractors. The occurrence of one or more of these risks could adversely affect the Funds' results of operations and financial position.

### **LIBOR Replacement Risk**

Payment obligations, financing terms and investments in many financial instruments (including debt securities and derivatives) may be tied to floating rates, such as the London Interbank



Offered Rate (“LIBOR”). In 2017, the UK Financial Conduct Authority (“FCA”) announced its intention to cease compelling banks to provide the quotations needed to sustain LIBOR after 2021. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Interbank Average Rate for GBP LIBOR). Various financial industry groups have been planning for the transition away from LIBOR, and markets are developing in response to these new rates, but questions around the liquidity of the new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses for the Funds. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

### **Russian Invasion of Ukraine**

In February 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People’s Republic and Luhansk People’s Republic regions) and subsequently the United States, United Kingdom and European Union announced sanctions against Russia. Given the ongoing and evolving nature of the conflict between the two nations and its ongoing escalation (such as Russia’s recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict’s ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their investments or operations, and the ability of the Funds to achieve their investment objectives.

### **User Loyalty**

The Assets’ ability to maintain and grow a loyal user base is a key driver of an Assets revenue streams. The Funds’ growth and exit strategy depends, in part, on the Asset’s ability to maintain existing users engaged and attract new users. If Assets experience damage to their reputation or loss of consumer confidence or loyalty, they may not be able to retain existing customers or acquire new customers, which could have a material adverse effect on their business, financial condition, operating results and prospects, and consequently on the Fund’s investment returns.

### **Competitive Conditions**

The gaming and software industries are intensely competitive, and the Funds will compete with other gaming investment funds and gaming companies that may have greater financial resources. Such competition may result in the Funds being unable to acquire desired Assets, recruit or retain qualified employees or acquire the capital necessary to fund its operations.

No technology has been exclusively or commercially adopted as the industry standard for many of the products and services offered by software companies. Accordingly, both the nature of the

competition and the scope of the business opportunities afforded by the markets in which the portfolio companies compete are uncertain.

Assets' competitors, including new market entrants, may implement new technologies before they do, deliver new products and services earlier, or provide products and services that are disruptive or that are attractively priced or enhanced or better quality compared to those of the Assets, making it more difficult for the Assets to win or preserve market share.

Some of the Assets' competitors may have greater name recognition, larger customer bases and significantly greater financial, technical, marketing, public relations, sales, distribution and other resources than the Assets. In particular, some of the Assets' competitors may be able to leverage their relationships with enterprise customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing the Assets' solutions, including by selling at zero or negative margins, product bundling or offering closed technology platforms.

The markets in which the Assets participate could become more competitive as many companies, including large technology companies and managed service providers, may target the markets in which they do business. If the Assets are unable to compete effectively with these potential competitors and sustain pricing levels for their products and solutions, their sales and profitability could be adversely affected.

The impact of the competition described above could result in fewer customer orders, loss of market share, pressure to reduce prices, commoditization of product and service categories in which the Assets participate, reduced revenue and reduced margins. If the portfolio companies are unable to compete successfully, there could be a material adverse effect on the Fund's business, results of operations and financial condition.

The Funds primarily compete with other technology platforms and digital content monetization services. Broadly, the Funds' competitors include well established technology platforms that vary in size and compete with the Funds primarily with their mobile monetization, growth and user acquisition solutions and services. Haveli believes that its ability to compete effectively for customers depends upon many factors, including, but not limited to: providing a comprehensive set of solutions; increasing the volume depth of and ability to leverage data and analytics, while respecting privacy restrictions; the pace and quality of innovation; providing high-quality solution capabilities, including performance, scalability, security and reliability; strong brand reputation and recognition; ease of deployment, implementation and use of solutions; optimized price-performance benefits; and the quality of service and customer satisfaction. The Funds' inability to compete favorably with respect to these factors could materially and adversely impact its business.

The Funds' competitors vary in size and in the breadth and scope of the products or services offered. Some of the Funds' competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and greater financial and operational resources than we do. Further, other potential competitors not currently offering competing products or services may expand their offerings to compete with the Funds' gaming products or enter the markets through acquisitions, partnerships or strategic relationships. Certain competitors may choose to limit working with the Funds, or cease working with us completely with respect to certain gaming products or solution suites that we offer now or in the future, if such competitors provide competing products or solutions.

In addition to platform and technology competition, the Funds face pricing competition. Some of the Funds' competitors offer competing products, which may be on more favorable terms, and has resulted in, and may continue to result in, pricing pressures. The Funds cannot assure that it will not be forced to engage in price-cutting or revenue limiting initiatives, change payment terms or increase our advertising and other expenses to attract and retain customers in response to competitive pressures.

### **Catastrophic and Force Majeure Risks**

The investments may be subject to catastrophic events and other *force majeure* events. These events could include fires, floods, earthquakes, adverse weather conditions, assertion of eminent domain, strikes, wars, riots, terrorist acts, acts of God and similar risks. These events could result in the partial or total loss of an investment or significant down-time resulting in lost revenues, among other potentially detrimental effects. Some *force majeure* risks are generally uninsurable, cannot be insured on terms that would be acceptable to a profitable investment and, in some cases, agreements can be terminated if the *force majeure* event is so catastrophic that it cannot be remedied within a reasonable time period.

While the Funds will seek to utilize insurance and other risk management products (to the extent available on commercially reasonable terms) to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it may not be possible or financially feasible to insure against all such risks, and insurance proceeds may be inadequate. In general, losses related to terrorism are becoming more difficult and expensive to insure against, as most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance for a property or asset. As a result, all investments may not be insured against terrorism. If a major uninsured loss occurs, the Funds could lose both invested capital in and anticipated profits from the affected investments.

### **Integration of Assets; Involvement by the Funds**

The integration of a newly acquired Asset into the Funds' portfolios may temporarily adversely impact the ongoing business of such newly acquired Asset, their information technology infrastructure, access to skilled and experienced employees and its relationships with existing employees, customers, suppliers and contractors.

In addition, distressed Assets often require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Funds. To the extent that the Funds become involved in such proceedings, they may have a more active participation in the affairs of such Asset than that assumed generally by an investor. Contemporaneous participation by the Funds in the bankruptcy or insolvency proceedings of multiple distressed Assets could significantly limit the Funds' ability to devote sufficient time and resources to other investments. Further, involvement by the Funds in an Asset's reorganization proceedings could result in the imposition of restrictions limiting the Funds' ability to liquidate their position in the issuer. For example, the Funds may elect to appoint representatives to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Funds' position as a creditor or equity holder. Under such circumstances, the Funds may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

If the Funds are found to have interfered with the affairs of a company in whose debt the Funds have invested, to the detriment of other creditors or shareholders of such company, the Funds may be held liable for damages to injured parties or a bankruptcy court. Moreover, such debt may be disallowed or subordinated to the claims of other creditors or treated as equity. Where a Fund has representatives on the boards of a portfolio company, such involvement may also prevent the Fund from freely disposing of its debt investments and may subject a Fund to additional liability or result in re-characterization of its debt investments as equity.

#### **ITEM 9: DISCIPLINARY INFORMATION**

There are no disciplinary events material to our advisory business or the integrity of our management to report.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Haveli BD (CRD No. 323042), an affiliate of Haveli, is registered with the Securities and Exchange Commission as a broker-dealer. For a description of material conflicts of interest created by Haveli's relationship with Haveli BD, as well as a description of how such conflicts are handled, please see "Participation of Haveli BD and Related Entities in Capital Markets Activity" in Item 11 below.

Haveli and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Haveli generally does not recommend or select other investment advisers for the Funds.

Various limited liabilities companies serve as General Partners of the Funds, and are related persons of Haveli. For a description of material conflicts of interest created by the relationship among Haveli and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

##### **Code of Ethics**

Haveli has adopted a written Code of Ethics (the "Code") that is applicable to its employees pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"). The Code is designed to establish guidelines for professional conduct, monitor employee's personal securities transactions including certain pre-clearance and reporting obligations, and identify and mitigate conflicts of interest with Haveli's clients. The Code includes rules of conduct, policies, and procedures to prevent the misuse of material, non-public information in Haveli's possession, and personal trading policies. Haveli's internal review, including quarterly and annual reporting requirements, and defined rules of business conduct are all intended to prevent or detect potential conflicts of interest.

The Code subjects employees to restrictions on activities and securities trading and requires reporting of information on personal trading activities. Pursuant to the Code, employees are required to file certain periodic reports with Haveli as required by Rule 204A-1 under the Advisers Act including initial, and thereafter, annual, holdings reports as well as quarterly transaction reports or equivalent brokerage statements, detailing the securities held, purchased, or sold

during the relevant period. Employees must pre-clear securities trades, subject to certain exceptions, to allow Haveli to adequately identify and address conflicts of interest in a timely manner and prevent the misuse of material non-public information .

Employees who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension, or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. Employees are required to annually certify compliance with the Code.

Haveli will make the Code available to any client or prospective client upon request by contacting Haveli's Chief Compliance Officer ("CCO") by phone at 512-987-7314 or by email at [Compliance@Havelii.com](mailto:Compliance@Havelii.com).

### **Participation or Interest in Client Transactions**

Haveli and certain employees and affiliates of Haveli may invest in and alongside the Funds, either through the General Partners, as direct investors in the Funds or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Due in part to the fact that potential investors in a Fund (including purchasers of a limited partner's interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, Haveli in certain circumstances provides certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

In the ordinary course of conducting its activities, the interests of a Fund may, from time to time, conflict with the interests of Haveli. As an investment management firm, Haveli will continue to engage in activities that may conflict with the interests of Investors, the Funds and/or any investment. From time to time, the affiliates may have multiple advisory, transactional and financial and other interests in, and transactions with, the Funds and their assets, and therefore may be subject to various conflicts of interest in their relationships with the Funds. The discussion below enumerates certain actual and potential conflicts of interest. By acquiring an interest, each Investor will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and, to the extent possible under applicable law, to have waived any claim with respect to the existence of any such conflict of interest and any profits arising therefrom.

While Haveli endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. Haveli will address all conflicts of interest using its reasonable judgment, but in any case, in its sole discretion. In resolving conflicts, Haveli may consider various factors, including the interests of the Funds it advises in the context of both the immediate issue at hand and the longer-term course of dealing among Funds. There can be no assurance that Haveli will resolve all conflicts of interest in a manner that is favorable to a particular Fund and the Funds' investors may not be entitled to receive notice or disclosure of the actual occurrence of conflicts or have any rights to consent to them as they arise.

Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

1. Haveli will consider the appropriateness of an investment from the viewpoint of a Fund;
2. Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the Funds;
3. Many of the Funds have established an advisory committee, consisting of representatives of investors not affiliated with Haveli. The advisory committees meet as required to consult with Haveli as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Haveli will be guided by its good faith discretion;
4. Where Haveli deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
5. Haveli has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest; and
6. Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Haveli may consult the advisory committee with respect to certain conflict situations or matters. However, there is no assurance that such conflict will be resolved favorably for the Funds or that the Funds' investments would not be affected by such conflicts or situations.

### **Client and Other Relationships**

Haveli and/or its principals have existing and potential relationships with a significant number of corporations and institutions and individuals. In connection with services to provided by Haveli to the Funds, affiliates may face conflicts of interest with respect to activities recommended to or performed for such clients, on the one hand, and the Funds, the Investors or the entities in which the Funds invests, on the other hand. In addition, these client relationships may present conflicts of interest in determining whether or not to offer certain investment opportunities to the Funds.

Haveli will seek to develop financial and advisory relationships with clients worldwide. Certain clients of Haveli (including, without limitation, the Funds) may invest in entities in which Haveli and/or its personnel, principals or affiliates holds an interest and in providing services to its clients, Haveli may recommend activities that would compete with or otherwise adversely affect the Funds or the Funds' investments. It should be recognized that such relationships may indirectly preclude the Funds from engaging in certain transactions and may constrain the Funds' investment flexibility.

In particular, Haveli may also act as investment adviser, investment manager and/or in another capacity on behalf of or for third parties that invest, or may invest for their own account, in Assets (including assets in competition to those of the Funds and investments invested by the Funds) and may engage in, advise or possess an interest in other business ventures with persons competing with the investments or with the Funds for investment opportunities within the investment objective. Accordingly, it is possible that Haveli or its personnel may take for itself, or advise such third parties to take, positions that are adverse to the interests of the Funds and/or the Investors. In addition, no interested party will be required to offer the Funds co-investment

opportunities in these or other circumstances and no guarantees can be given that any owners of Assets who seek advice from or retain an interested party in another capacity will provide any investment opportunities for the Funds. Such relationships could influence affiliates to take actions, or forbear from taking actions, which an independent investment manager might not take or forbear from taking. An interested party may give advice, and take action, with respect to any of Haveli's clients or proprietary accounts that may differ from the advice given, or may involve a different timing or nature from action taken, by Haveli on behalf of the Funds. An interested party may give advice and provide recommendations to persons competing with the Funds and/or any investments that are contrary to the interests of the Funds and/or any investments.

From time to time, an interested party (including, without limitation, a member of Haveli), may serve on the board of directors or hold another senior position with a corporation or other institution which may desire to sell an investment to, acquire an investment from or otherwise engage in a transaction with, the Funds. The presence of the interested party in such a circumstances may require such interested party to recuse himself or herself from participating in the transaction, or cause the corporation or other institution or Fund to determine that it is unable to pursue the transaction because of a potential conflict of interest, any of which circumstances may limit the investment opportunities of the Funds, constrain the ability of the Funds to engage in the transaction or require it to divest certain investments or assets, all of which could have an adverse effect on the target results.

### **Participation of Haveli BD and Related Entities in Capital Markets Activity**

Haveli expects to leverage its internal expertise in structuring and executing a wide array of capital markets transactions across the Funds, including those involving existing, prospective and former portfolio companies (including their affiliates and related entities such as holding companies and subsidiaries).

Haveli BD will receive Capital Markets Fees for its services, as well as reimbursement for expenses. Capital Markets Fees may take a variety of forms, including without limitation, a fixed Management Fee, a percentage of the total financing or offering, a fee for arranging the syndication or placement of equity or debt financing, a portion of the commission or discount paid to underwriters of a securities or other offering, an execution fee or other fee structure, and may be paid in cash, securities or other consideration. Such compensation will not in each case be negotiated at arm's length and from time to time may be in excess of fees, commissions or other compensation that may be charged by an unaffiliated third party. Neither Haveli nor Haveli BD will have any obligation to conduct a market check on Capital Markets Fees.

Capital Markets Fees received by Haveli BD will not offset the Management Fee or require the consent of a Fund's investors or limited partner advisory committee, in each case to the extent set forth in a Fund's Organizational Documents, which generally do not require such offset or consent.

Haveli believes that Haveli BD's capabilities help maximize value for the Funds. However, utilizing Haveli BD in connection with a transaction involving a Fund or portfolio company gives rise to conflicts of interest. Haveli generally will evaluate any such transactions on a case-by-case basis to address any such conflicts.

Depending on the nature of the transaction, the Fund, the portfolio company or other parties involved in the transaction will pay the Capital Markets Fee to Haveli BD. For example, if the transaction relates to a recapitalization or sale of a portfolio company of a Fund and the portfolio company pays the Capital Markets Fee, the Capital Markets Fee may reduce the proceeds available to the Fund.

Haveli has an incentive to retain, or to exercise control or influence over a current or prospective portfolio company's management team so that it retains Haveli BD or otherwise causes the portfolio company to transact with Haveli BD instead of other unaffiliated third parties. For instance, Haveli BD could take the place of another investment bank in the syndicate underwriting a securities offering or act as the sole or lead financial institution on a transaction instead of an unaffiliated third party.

When involved in a particular transaction, Haveli BD has the incentive to seek higher fees or other favorable terms from the Fund, the portfolio company or other counterparties, as well as to structure a transaction so that it benefits certain investors in the Fund or other third parties that are of strategic importance. For example, Haveli BD could influence the placement of portfolio company securities or debt instruments so that investors who are sizeable investors in multiple Funds receive an allocation ahead of others. To the extent that Haveli BD's personnel face competing demands for their time and attention, Haveli has an incentive to devote its capital markets resources to portfolio companies and transactions that would generate the highest fee for Haveli BD. Employees who provide services on behalf of Haveli BD are under no obligation to prioritize the interests of a particular Fund, portfolio company or investors in a Fund or portfolio company in determining how to allocate their time across various projects in respect of Haveli and Haveli BD.

Haveli BD is under common control with Haveli, and certain third parties (including potentially investors in the Funds) may also provide the capital needed by Haveli BD to provide underwriting or other capital markets services, whether through an ownership interest, providing debt financing or otherwise making capital available to Haveli BD. Additionally, Haveli BD's counterparties will from time to time include limited partners of one or more Funds or affiliates of such limited partners.

### **Other Investment Funds and Allocation of Investment Opportunities**

Haveli advises multiple Funds and expects that it will sponsor similar investment funds in the future, some of which may have investment objectives or strategies that are similar to or in competition with that of the Funds, including but not limited to with respect to Asset investments.

Certain investment opportunities generated by Haveli or which otherwise become available may be appropriate for:

- the Funds,
- co-investors or co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Fund(s) (the co-investors or investors in such co-investment vehicles which may include Haveli personnel and/or individuals and entities that are not investors in any Funds),
- Haveli personnel, Proprietary Accounts (as defined below) and/or third parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s) and Haveli personnel and/or
- third parties acting as "co-sponsors" with Haveli with respect to a particular transaction.

In addition, opportunities may be appropriate for co-investment by the Funds and/or parties described above at different or overlapping levels of the issuer's or counterparty's capital structure. Certain key persons and other members of Haveli currently serve on the boards of directors of



various portfolio companies, and circumstances could arise where such persons could devote only limited amounts of their time to managing or advising the Funds and the portfolio companies. In addition, certain key persons and other members of Haveli currently own investments in Assets acquired prior to the initial closing date (including assets in competition to those of the Funds and investments invested by the Funds) and may continue to own such Assets and make additional investments or other contributions in such Assets (including follow-on investments).

Haveli makes investment allocation determinations consistent with the Funds' Organizational Documents and in accordance with its written policies and procedures.

The Funds are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"). Investment Allocation Requirements are generally set forth in the Fund's Organizational Documents. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow Haveli discretion in making allocation decisions among the Funds, Haveli will follow the process below.

Haveli must first determine which Funds and/or other parties are eligible to participate in an investment opportunity. Haveli assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund's investment objectives, strategies and structure, which are typically reflected in such Fund's Organizational Documents. Prior to making any allocation to a Fund of an investment opportunity, Haveli determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund. Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Haveli may be required to offer an investment opportunity to one or more Funds.
- **Related Investments:** Haveli may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** Haveli may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once Haveli identifies the Funds that are eligible to participate in a particular investment, Haveli, in its discretion, decides how to allocate such investment opportunities (including follow-on investments) among the identified Funds. In allocating such investment opportunity, Haveli may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, one or more of the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing (and with respect to an investment opportunity originated by a third-party, the relationship of a particular Fund to or with such third-party);
- Each Fund's liquidity and reserves (including whether a Fund is able to commit to invest all capital required to consummate a particular investment opportunity);
- Each Fund's diversification (including the actual, relative or potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);

- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment (including whether a Fund is able to invest all capital required to consummate a particular investment opportunity) and anticipated co-investment (if any);
- The size, liquidity and duration of the investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund's portfolio and each Fund's investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage or other similar risk metrics);
- The suitability as a follow-on investment for a current portfolio company of a Fund or to upsize an existing investment;
- The use of leverage in the proposed capital structure;
- Timing expected to be necessary to execute an investment;
- The availability of other suitable investments for each Fund;
- Supply or demand of an investment opportunity at a given price level;
- Risk considerations;
- Cash flow considerations;
- The centrality of an investment to a Fund's strategy;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax and accounting implications;
- Whether an investment opportunity requires additional consents or authorizations from the Fund, investors or third parties;
- Whether an investment opportunity would enable a Fund to qualify for certain programmatic benefits or discounts that are not readily available to other Funds including, but not limited to, the ability to enter into credit arrangements with certain financial or governmental institutions;

- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Fund.

The application of the Investment Allocation Requirements and factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives. Haveli makes allocation determinations based solely on Haveli's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, Haveli has an incentive to allocate investment opportunities to the Funds from which Haveli or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. While Haveli determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Haveli is subject, discussed herein, did not exist.

In addition, Haveli personnel invest indirectly in and may be permitted to invest directly in Funds and therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund and may create an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Haveli and/or a Fund may invest in the securities offerings of a portfolio held by another Fund (including through initial public offerings), which would result in Haveli and/or a Fund receiving an allocation of portfolio company securities. In addition to conflicts of interest arising from the allocation of such securities, this arrangement also leads to similar conflicts described below under "*Conflicts Related to Purchases and Sales.*"

A conflict also arises in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. In making such an allocation determination, Haveli will consider some one or more of the factors set forth above and will make a determination in its good faith discretion.

There can be no assurance that (i) it might not be alleged that the Funds received a smaller allocation or inferior terms in investments in particular issuers than it would otherwise have received if Haveli did not have the conflicts of interest described herein in; or (ii) it might be alleged that a Fund was not afforded the opportunity to make a particular investment because Haveli had a conflict of interest in managing or advising both investors. The Funds may make investments in companies or other entities in which Haveli and investment funds that have been or may be established by Haveli (i) have an investment when the subsequent investment opportunity becomes available to the Funds; or (ii) are contemporaneously making an investment. Likewise, Haveli and any successor funds may make investments in companies or other entities in which the Funds (i) has an investment when the subsequent investment opportunity becomes available to Haveli and such successor funds; or (ii) is contemporaneously making an investment.

## Co-Investment

Haveli will determine if the amount of an investment opportunity exceeds the amount Haveli determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to Haveli and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by Haveli to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' Organizational Documents or, to the extent not addressed in such Funds' Organizational Documents, in accordance with the following paragraphs. There may be circumstances where Haveli determines, for strategic or other reasons, the amount that could have otherwise been invested by a particular Fund is instead allocated to one or more co-investors.

Haveli may, but will be under no obligation to, provide, from time to time, pursuant to the terms of the Organizational Documents and any side letters entered into with Investors, co-investment opportunities with regard to selected investments to an Investor or Investors, other funds sponsored by Haveli, affiliates or third parties, as are selected by Haveli in its absolute discretion, on such terms as shall be agreed to between Haveli and such Investor or Investors, other funds sponsored by Haveli, affiliates or third parties. Moreover, (i) Haveli shall have the right to offer co-investment opportunities to any person, including Haveli, or any subsidiary or affiliate thereof, selected by Haveli in its absolute discretion, without offering any Investor the opportunity to co-invest, as described above; and (ii) the co-investment opportunity described above for Investors shall in no event limit Haveli's right to offer co-investment opportunities in the Funds' investments to its partners. Investors may be offered a smaller amount of co-investment opportunities than originally requested and an investor may be offered fewer co-investment opportunities than other investors in the same Fund, with the same, larger or smaller capital commitments to such Fund.

As Haveli retains complete discretion as to how co-investment opportunities are allocated, the benefits of an investment in which Haveli has made co-investment opportunities available will be received only by an Investor or the Investors selected by Haveli for such opportunities, and not by any of the other Investors. No Advisory Agreement limits or restricts the ability of Haveli to offer co-investment opportunities to Investors, other funds sponsored by Haveli, affiliates, persons associated with a portfolio company and other third parties, including persons who Haveli believes will provide a benefit to a Fund and/or one or more portfolio companies or who provide a strategic sourcing or similar benefit to Haveli, a Fund, and/or a portfolio company and one or more of their respective affiliates, due to industry or regulatory expertise or otherwise, or third parties. In certain cases, Funds will be established to facilitate the co-investment of "friends and family" investors (which may include, but are not limited to, Haveli personnel, affiliates of Haveli, and other business associates of Haveli personnel) alongside another Fund, which "friends and family" fund will have the right to participate in a portion of each investment opportunity in which such other Fund invests. Such "friends and family" Fund will bear Management Fees but not Carried Interest. In some cases, co-investments may be offered to other funds advised by, or clients of, Haveli, as well as other affiliates. To the extent permitted by applicable law, in order to facilitate such co-investments, Haveli may cause the Funds to sell a portion of an investment to, or purchase an investment from, one or more other co-investment participants at a price based on the fair market value of such investment as determined by Haveli in its reasonable discretion or otherwise, on terms to be determined by Haveli in its sole discretion. Such co-investment transactions could create conflicts of interests to the extent Haveli is simultaneously representing the interests of more than one co-investing party. For the avoidance of doubt, no Investor shall have the right to participate in, or be offered an opportunity to participate in, any such co-investments, or be under

an obligation to make any co-investments and no person co-investing with the Funds as described above shall be considered a joint venture partner. In addition, Haveli may form specially created co-investment vehicles, which may be owned in whole or in part by affiliates. Such co-investments may be on terms that may differ from those of Investors in the Funds.

The amount of Other Fees generated as a result of co-investments in connection with any portfolio company will often not reduce the Management Fees paid by the Funds and will therefore be retained by Haveli. The allocation of co-investment opportunities will, in many or all cases, also involve a benefit to Haveli in addition to the receipt of Other Fees, including the receipt of Management Fees or allocation of Carried Interest from the co-investor, and/or capital commitments to Funds (including successor Funds). As a result of the foregoing, Haveli could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement or economic terms.

In addition, co-investment vehicles are typically formed to make investments alongside a Fund. In such cases, the co-investment vehicle will have a priority right to make co-investments in some or all of the investments made by such Fund. The existence of such a priority right will significantly reduce or eliminate co-investment opportunities available to other co-investors, including investors in a Fund.

Co-investors will generally purchase their interests in a portfolio company at the same time as the Funds or will, on occasion purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer).

Haveli may, but will be under no obligation to, provide, from time to time, co-investment opportunities with regard to selected investments to such Investors, as are selected by Haveli in its absolute discretion, on such terms as shall be agreed to between Haveli and such Investor. Haveli anticipates that it will from time to time enter into contractual arrangements to provide priority investment rights to certain investors, but not all investors, which rights will in certain instances involve payment of Management Fees and/or Carried Interest, and in certain cases will be fee and carry-free. Acknowledgments of interest in co-investment opportunities do not obligate Haveli to allocate co-investments to any party.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, Haveli may consider some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- Negotiated contractual/side letter arrangements to give priority if co-investments are offered;
- Haveli's evaluation of the size and financial resources of the potential co-investment party and Haveli's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise, and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);

- Any confidentiality concerns Haveli has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and Haveli's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by Haveli and the expected amount of negotiations required in connection with a potential co-investment party's commitment;
- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- Whether a potential co-investment party pays Management Fees or Carried Interest to Haveli and the amount of any such Management Fees and Carried Interest;
- The extent to which a potential co-investment party has been provided a greater amount of co-investment opportunities relative to others;
- Whether the potential co-investment party would require any governance rights that would complicate the transactions (or, alternatively, whether the potential co-investment party would be willing to defer to Haveli and assume a passive role in governing a portfolio company);
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely);
- Haveli's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- Haveli's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;
- Haveli's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in

which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity);

- Whether the potential co-investment party will make commitments to invest in other Funds (including concurrently with the applicable co-investment) as well as commitments to future funds raised by Haveli;
- Whether the co-investment opportunity is being provided in connection with a potential investment in or acquisition of interests through a secondary transfer of the Funds (i.e., a stapled co-investment opportunity); and
- Whether Haveli believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Funds and/or Haveli and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Funds and/or Haveli.

The factors above are not listed in order of importance or priority and Haveli is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. Haveli's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Haveli investors and third parties, and in the manner discussed above, often will not result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, Haveli may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons (including, for example, whether Haveli and/or the applicable General Partners are entitled, under arrangements made with certain potential co-investment parties, to additional Management Fees and/or Carried Interest based on the availability of co-investment opportunities offered to such parties).

In the event Haveli determines to offer an investment opportunity co-investors, there can be no assurance that Haveli will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Funds or that expenses incurred by the Funds with respect to the syndication of the co-investment will not be substantial, and the Funds bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from Haveli as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. In the event that Haveli is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Funds may consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended and would bear the entire portion of any fees, costs and expenses related to such investment, which could make the Funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns. Therefore, it is possible that a Fund that overcommits to an investment will

bear a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

Haveli or its affiliates may establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Fund which we expect will often have more favorable rights and/or terms than the Funds and/or other co-investors. Any such vehicle will be established at Haveli or its affiliates' sole discretion and Haveli and its affiliates have no obligation to offer a similar opportunity to any other investor.

In addition, to the extent Haveli has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Organizational Documents, or is asked to identify potential purchasers in a secondary transfer, Haveli will do so in its sole discretion, generally taking into account the following factors:

- Haveli's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- Haveli's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or Haveli and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject Haveli, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- A potential purchaser's investment into another Fund (including any commitment into a future fund);
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

### **Conflicts Related to Purchases and Sales**

The Funds may invest debt or equity in a capital structure where Haveli or another fund sponsored or client advised by Haveli has a senior position and Haveli may, in such case, seek to protect such senior investment in a manner that is adverse to the Funds' investments. Likewise, other funds sponsored or clients advised by Haveli may invest debt or equity in a capital structure where the Funds have already established a senior position and the Funds may, in such case, seek to protect such senior investment in a manner that is adverse to Haveli or another fund sponsored or client advised by Haveli. Other present and future activities of Haveli may give rise to additional conflicts of interests.

Funds from time to time invest in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Conflicts may arise in connection with such investments.

Investment opportunities are from time to time appropriate for more than one Fund at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these clients may invest in different types



of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, the terms of any work-out or restructuring or other concessions that may be given in such a situation raise conflicts of interest, and Haveli may be incentivized to choose a course of action that benefits one Fund to the detriment of another Fund.

In the event that one Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Funds that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

Certain clients of Haveli and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. Equity holders and debt holders have different (and often competing) motives, incentives, liquidity goals and other interests with respect to a portfolio company. In the event that such investments are made by a Fund, the interests of such Fund will at times conflict with the interest of such other Fund, particularly in circumstances where the underlying company is facing financial distress. In such instances, it may be in the best interest of the Funds holding debt securities to declare a default, accelerate a loan or take other protective actions, while such actions would harm another Fund's equity investment in the portfolio company. The involvement of such Funds at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest.

If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and, if provided, each Fund will supply such additional capital in such amounts, if any, as determined by Haveli. In the event one Fund is unable to fund its share of additional capital (e.g., in the event such Fund does not have sufficient available capital), the other Fund may be obligated to fund more than its share of such amount. In such event, one Fund will gain greater exposure to such investment than may have been intended and the other Fund will be diluted in such investment. The returns of each Fund may be negatively impacted as a result of the foregoing. Investments by more than one Fund of Haveli or its affiliates in a portfolio company also raises the risk of using assets of a Fund of Haveli or its affiliates to support positions taken by other Funds of Haveli or its affiliates, or that a Fund may remain passive in a situation in which it is entitled to vote.

There may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. In addition, where more than one Fund of Haveli (or its affiliates) invests in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time or on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund. At the same time, if Haveli determines it

is advisable for a Fund to exit an investment at the same time as another Fund of Haveli or its affiliates, the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments. In addition, investors may receive different consideration (for instance, investors in one Fund may receive cash whereas investors in another Fund may be provided the opportunity to receive distributions in-kind) which may impact the realized return ultimately received by each Fund.

Finally, in certain circumstances, if more than one Fund is participating in an investment, one Fund may bear more than its pro rata share of expenses relating to such investment if the other Fund or Funds does not have the resources to bear such expenses (including, for instance, as a result of insufficient reserves and/or the inability to call capital to cover such expenses).

In such circumstances described above, Haveli could take steps to reduce the potential conflicts of interest between the various Funds, including causing a Fund to take certain actions that, in the absence of such conflict, it would not take (e.g., a Fund may divest itself of an asset it otherwise may have retained, Haveli may establish information barriers, certain matters may be referred to an advisory committee or a third-party, or a Fund may only invest in securities that seeks to align the interests with other investing Funds). Any such steps could have the effect of benefiting one Fund or Haveli at the expense of another Fund.

The application of a Fund's Organizational Documents and Haveli's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

From time to time Haveli may, in its discretion, enter into transactions with investors in one or more Funds, prospective investors in a Fund, co-investors, Haveli investors or third parties to dispose of, or "sell down," all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, Haveli will comply with the requirements set forth in the Organizational Documents of the applicable Fund(s), or to the extent not addressed in the Organizational Documents of the applicable Fund(s), Haveli may consider some or all of the factors listed above under "*Allocation of Co-Investment Opportunities and Secondary Transactions*". The sales price for such transactions will be mutually agreed to by Haveli and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by Haveli is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, which means Haveli may not obtain the highest price for the transaction. Furthermore, subject to the Organizational Documents, Haveli may charge (or may decide not to charge) a purchasing party interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable purchasing party. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s).

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into (a) limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a

potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a “reverse termination fee” to the seller entity and (b) full guarantee arrangements where a Fund agrees to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain co-investment vehicles with investments contractually tied to the Funds (including co-investment vehicles through which Haveli personnel participate) are generally obligated to pay their proportionate share of the equity purchase price (whether pursuant to the applicable Funds’ Organizational Documents or otherwise), such co-investment vehicles are generally not direct parties to the equity commitment arrangements or guarantees and, in any event, are not obligated to pay their proportionate share of any reverse termination fee. Therefore, in the unlikely event that a co-investment vehicle defaults on an arrangement with the Funds to pay its proportionate share of the equity purchase price (if any) or such an arrangement does not exist, the Funds would be held responsible for the entire equity purchase price or other applicable obligations.

The Funds, from time to time, co-invest with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third party may have differing economic or business goals than those of the Funds, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

### **Cross-Transactions**

Haveli may, from time to time cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or Haveli might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, Haveli, its affiliates and/or their professionals (i) may, from time to time, have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). Haveli and its affiliates generally receives management or other fees in connection with their management of the relevant Funds involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, Haveli will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Organizational Documents of certain Funds may provide for the rebalancing of investments at certain times and at a cost set forth in those Organizational Documents so that these Funds’ resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund). To the extent such matters are not addressed in the Investment Allocation Requirements, Haveli’s Chief Compliance Officer will be responsible for confirming that Haveli (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm’s length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction’s terms and conditions.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Fund (or Haveli as a result of its interests in a particular Fund),

and one Fund may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, Haveli may be incentivized to support a less successful portfolio company of an older Fund by causing a newer Fund with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide Haveli additional time to potentially manage it to a successful exit and increase the likelihood of Haveli or an affiliate receiving Carried Interest. Conversely, Haveli may be incentivized to sell an attractive investment in an older Fund to a newer Fund to increase the amount of fees received by Haveli or an affiliate with respect to such an investment.

Determining the valuation or other terms of such transactions may also create a conflict of interest due to Haveli's consideration of the particular terms (including the fee terms) of the Funds and Haveli's interest in such Funds. Such acquisition or merger may result in the acquiring entity purchasing a Fund's portfolio company at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, Haveli may wish to reduce the investment of one or more Funds in an investment and increase the investment of other Fund(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Funds or through any other transaction structure (for example, distribution of portfolio company interests from one Fund and contribution of such interests to another Fund). Any costs and expenses associated with any such transaction will be borne by such Funds in accordance with such Funds' Organizational Documents and to the extent not addressed in the applicable Organizational Documents, on an allocation that Haveli deems in good faith to be fair and reasonable.

### **Principal Transactions**

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with Haveli's management of the Funds, Haveli and its affiliates may engage in principal transactions. Haveli has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### **Management of the Funds**

Haveli expects to advise multiple Funds that have investment objectives similar to each other. Haveli expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Funds. Haveli may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies will not hold the same securities or achieve the same performance. In addition, a Fund generally may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Fund. These differences will result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by Haveli, including funds raised in the future or to proprietary investments made by Haveli and/or its principals of the type made by a Fund. Conflicts of interest arise in allocating time, services or functions of these employees. Employees have an incentive to allocate more time, services or functions to Funds from which such personnel derive a higher economic benefit and/or better performing Funds.

Haveli may, from time to time, consider, and reject an investment opportunity on behalf of one Fund and, Haveli or an affiliate of Haveli may subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by Haveli on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund or funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

In connection with evaluating a potential investment that is not consummated a Fund will incur Dead Deal Costs. Such Dead Deal Costs are, from time to time, rolled forward and capitalized into the following subsequent consummated transaction. In such cases, another Fund and new co-investors may participate with the original Fund in the subsequent consummated transaction. As a result, the other Fund (and/or new co-investors) that were not participating in the unconsummated transaction may be responsible for bearing a portion of Dead Deal Costs incurred by the original Fund.

In addition, Haveli receives and generates various kinds of portfolio company data and other information, including related to or created in connection with financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information, some of which is sometimes referred to as “big data.” This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Fund’s investment (or prospective investment) in a portfolio company. As a result, Haveli is better able to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies or identify specific investment opportunities. Haveli also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by a Fund may enable Haveli to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for Haveli and other Funds that do not own an interest in such portfolio company, without compensation or benefit to such Fund or its portfolio companies. Further, data is expected to be aggregated across the Funds and their respective portfolio companies and, in connection therewith, Haveli is expected to serve as the repository for such data, including with ownership, use and distribution rights therein. Haveli may also share data from a portfolio company of one Fund with a portfolio company of another Fund, which may increase a competitive disadvantage for, and indirectly harm, such portfolio company. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to Haveli (which expenses are indirectly borne by the Funds). Haveli is likely in the future to enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. Haveli is likely in the future in certain instances to use this information in a manner that may provide a material benefit to Haveli, its affiliates, or to certain other Funds without compensating or otherwise benefitting the Fund or Funds from which such information was obtained. In addition, Haveli may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third

parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use of distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, Haveli is generally free to use data and information from a Fund's activities in its sole discretion for the benefit of Haveli and other Funds. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by Haveli or its personnel will not be subject to the Management Fee offset provisions or otherwise shared with a Fund or its investors. Haveli is likely in the future to utilize such information to benefit Haveli, its affiliates and/or certain Funds.

Haveli and its affiliates from time to time also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow Haveli, the Funds and the Funds' portfolio companies to better discern economic or other trends and developments. Haveli believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across Haveli's businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and Haveli. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by Haveli and its affiliates, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, Haveli and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to Haveli, without directly compensating or otherwise benefiting the Funds. As a result, Haveli may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits Haveli and/or investments held by other Funds.

The Funds will, from time to time, enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount.

### **Follow-on Investments**

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund will from time to time participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Furthermore, a conflict of interest also arises because a Fund that participates in a follow-on investment in a portfolio company held by another Fund will benefit from the initial evaluation, investigation and due diligence undertaken by Haveli on behalf of the original Fund and from operational or other information about such portfolio company acquired from the original Fund's ownership of interests in the portfolio company. In such circumstances, such benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with

researching such investment. An investment by a Fund in a portfolio company in which another Fund invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other Fund and an investment by one or more other Funds in any such portfolio company may dilute the original Fund's interest in such portfolio company.

### **Conflicts Relating to the General Partners and Haveli**

Haveli may compete against, or engage in business with (i.e., through co-investments and joint ventures) another investment adviser with which Haveli or its affiliates or a member of their personnel has a relationship or from which Haveli or its affiliates or their personnel otherwise derives financial or other benefit. Such relationships may influence decisions that Haveli makes with respect to the Funds.

Employees and other related persons of Haveli and its affiliates may make capital investments in or alongside certain Funds. These investments are often at different times or in non-pro rata amounts, or in different classes or levels of the capital structure. Such persons therefore have additional conflicting interests in connection with these investments.

By reason of their responsibilities in connection with other activities of Haveli or in connection with personal investing activity, certain employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

In addition, Funds from time to time invest in securities of companies in which employees and other related persons of Haveli and its affiliates have previously invested for their own accounts. Furthermore, employees and other related persons of Haveli and its affiliates from time to time invest for their own accounts in securities of companies in which the Funds have previously invested. While the significant interests of the employees generally align the interest of such persons with the Funds, such persons may have differing interests from the Funds with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

Haveli, its affiliates, and members, officers, principals and employees of Haveli and its affiliates may buy or sell securities or other instruments that Haveli has recommended to Funds. employees may also buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Haveli personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by Haveli on behalf of the Fund. In such circumstances, the investing Haveli personnel will not share or reimburse the relevant Fund(s) and/or Haveli for any expenses incurred in connection with the investment opportunity.

In addition, employees also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, venture capital funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds (including investments for purposes of sourcing future investment opportunities. Such employees have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as the Funds and there may be situations in which such investment vehicle purchases securities from, or sells securities to, a

Fund. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. In the event Haveli personnel make an investment with the intent to source future investments for the Funds, there is a greater likelihood that the Funds will make investments in the same portfolio companies in which Haveli personnel hold an interest as described above. Such personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

The transactions described above are subject to the policies and procedures set forth in Haveli's Code of Ethics and investors will not benefit from any such investments.

As described throughout this brochure, Haveli personnel engage in investment activities for their own account, which activities in certain cases can be expected to conflict with a Fund's interest. Certain employees of Haveli provide services with respect to investment activities of Haveli's founder, and such person's family members and estate planning vehicles (the "Proprietary Account"). Such services for employees' own accounts or the Proprietary Account could potentially present a conflict of interest between Haveli and a Fund, including with respect to allocation of time and responsibilities and allocation of investment opportunities. It is anticipated that opportunities that are appropriate for a Fund will also, from time to time, be appropriate for the Proprietary Account or an employee's own account. Subject to any restrictions or requirements set forth in a Fund's Organizational Documents, the Proprietary Account or an employee's own account will in certain circumstances invest in an opportunity that falls with a Fund's objectives. As a result, it should not be assumed that all opportunities that fall within a Fund's investment objectives will be offered first to the Funds and not to the Proprietary Account or an employee's own account. Proprietary Account investments are reportable and subject to pre-clearance by the applicable Haveli investment professionals under Haveli's Code of Ethics. In addition, a Fund and the Proprietary Account (or another employee account) may invest in the same company, whether at the same time or at different times, and whether at the same or different levels of a company's capital structure. Considerations relating to the Proprietary Account and other employee accounts trigger application of the various conflicts and risks addressed below in "Conflicts Related to Potential Sales" and "Cross Trades." These circumstances can also be expected to implicate conflicts of the type described in "Management of the Funds."

Employees have family members that are actively involved in industries and sectors in which the Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Funds or other counterparties of the Funds and the portfolio companies. Moreover, in certain instances, the Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and Haveli is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees). In most such circumstances, the Funds' Organizational Documents will not preclude Funds from undertaking any of these investment activities or transactions.

From time to time, employees may invest in funds or other entities managed by limited partners of a Fund, which could incentivize such employees to afford the limited partner preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies.



## Fee Structure

Because the Management Fees are payable through liquidation of a Fund and there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to defer the realization of investments and/or deploy capital when Haveli would not otherwise have done so.

Additionally, as discussed above in Item 6, the general partners of the Funds are entitled to Carried Interest under the terms of the Organizational Documents of such Funds. Such general partners are affiliates of Haveli. The existence of the general partners' Carried Interest creates an incentive for the general partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by Haveli or its affiliates in a Fund and the clawback obligation of the general partner (as described below) reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of Haveli's personnel.

Pursuant to the Organizational Documents, the general partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the general partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the general partner.

In addition, the general partner is incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Management Fees in the interim and, potentially, a more likely or larger Carried Interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the general partner.

The Organizational Documents of certain Funds permit the general partner of each such Fund to cause such Fund to distribute such general partner's share of securities resulting from an investment disposition by such Fund to such general partner or its affiliates (including employees) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partners and the limited partners of the applicable Fund. The general partners are particularly incentivized to receive distributions in-kind of securities that it expects to increase in value, and in cases where the increase occurs, if the limited partners received cash distributions instead of in-kind distributions, the limited partners will be denied the benefits of that increase had the Fund retained the securities and the general partner will receive more value from the securities than it would have had its Carried Interest been paid in cash. In the event the general partner, or its affiliates, receive such a distribution, the general partner will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Fund, and the Fund. These conflicts may be exacerbated due to the enhanced knowledge and information the general partner has relative to the limited partners with respect to such securities.

Pursuant to the Organizational Documents, the general partner may elect to receive its Carried Interest in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more general partner personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such personnel). Any tax efficiencies to such general partner personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the general partner's incentives otherwise resulting from the existence of its Carried Interest and therefore, the general partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing of disposition of investments).

### **Fund Level Borrowing**

The Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses and liabilities, to pay Management Fees, organizational expenses, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the general partner. The Funds will also utilize subscription facilities to benefit co-investment parties and joint venture partners. For example, a Fund will borrow to fund a co-investment party's and joint venture party's pro rata share of an investment or expense related to an investment. While Haveli expects that all parties participating in an investment (including the general partner and any co-investment party and/or joint venture partner) will bear their pro rata share of the interests expenses but not necessarily origination and other costs allocable to the extension of credit, the Funds will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties. Certain parties participating in an investment (including the general partner and any co-investment party) may not bear their pro rata share of expenses relating to the subscription facility used for making an investment (including, without limitation, interests expenses, origination and other costs). As a result, the Fund may bear a disproportionate cost in connection with the extension of credit. In addition, because co-investment parties and the general partner are not expected to be parties to the subscription facility, the Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds. In such instances the Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its other investors (including direct investments by the general partner and any co-investor, including employee co-investment vehicles) benefit from the credit risk taken by the Fund's guarantee.

To the extent the Funds use borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Funds will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than they otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. Thus, while the Funds will bear the expense of borrowed

funds, such borrowings can also increase the Carried Interest received by the Fund's general partner or will result in the Fund's general partner receiving Carried Interest earlier than it would otherwise have by decreasing the amount of distributions from the Funds that are required to be made to Fund investors in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings. Furthermore, the use of Fund-level borrowing for investment purposes are treated as investment capital for purposes of calculating the relevant Fund's Management Fee. Therefore, investors pay Management Fees on borrowed amounts used to fund an investment even though such amounts would not accrue a preferred return as described above.

To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. The batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

Borrowing by the Funds will generally be secured by capital commitments made by the limited partners to the Funds and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by the Funds may cause the realization of Unrelated Business Taxable Income. The use of Fund-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Fund and each such credit facility. Therefore, as the subscription credit facilities utilized by the Funds may have different terms, while the Funds may be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Organizational Documents, the investment return can, in certain circumstances, differ among the Funds as a result.

### **Diverse Membership**

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by Haveli or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, Haveli and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

### **Positions with Portfolio Companies**

Employees serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that such employees' fiduciary duties as a director conflicts with those of the Fund, it is expected that generally the interests will be aligned. For instance, such positions could impair the ability of a Fund to sell the securities of an

issuer in the event a director receives material non-public information by virtue of his or her role, which would have an adverse effect on the Fund. Furthermore, an employees serving as a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such employees may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company. employees serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund investing in the portfolio company. In addition, to the extent an employees serves as a director on the board of more than one portfolio company, such employees' fiduciaries duties among the two portfolio companies may create a conflict of interest. Certain decisions made by a director may subject Haveli, its affiliate or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify Haveli and employees from such claims. Employees serving in a director or observer role are required to remit any remuneration they may receive as directors to the applicable Funds. In addition, employees and Operations Support Providers may leave the employment of Haveli or its affiliates and become an officer or employee of a portfolio company, which will shift the burden of compensating such persons from Haveli to the applicable portfolio companies, and any fees received by such persons as an employee of the portfolio company will not reduce the Management Fee. Employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

From time to time employees may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such person's employment with Haveli. In such circumstances, any compensation or fees received with respect to such exited investment and/or by such former employee is not subject to the Management Fee offset described above, or otherwise shared with the Funds and/or investors.

In addition, Haveli may continue to receive other fees from a portfolio company after a Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment is not subject to the Management Fee offset described above, or otherwise shared with the Funds and/or investors.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Funds) are often provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of Haveli to take actions with respect to the portfolio company that Haveli considers to be in the best interests of the Funds.

Certain personnel of Haveli or its affiliates may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse Haveli or such persons for any first class or business class travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Haveli may also advance compensation to

seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by Haveli or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Management Fee paid or Carried Interest distributed by the Funds to Haveli will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by Haveli and reimbursed by a portfolio company) will not reduce the Management Fee otherwise payable to Haveli or any Carried Interest otherwise payable to Haveli or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be categorized as an Operations Support Provider, an employee of Haveli, a former employee of Haveli or a seconded employee may not be clear. In such cases, Haveli will make a determination in good faith based on an evaluation of the facts and circumstances.

### **Side Letter Agreements; Advisory Committee Rights**

Haveli often enters into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, modification of representations, indemnification and/or liability and other obligations, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor, Haveli (or applicable general partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund. Also, investors will have no recourse against a Fund, the applicable Fund's general partner, Haveli or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

Generally, each Fund has established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee because those designating limited partners will, for instance, have greater information rights. The advisory committee may also have the ability to approve conflicts of interests with respect to Haveli and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with Haveli, Haveli personnel and its affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may also be a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

## **Certain Brokerage Transactions**

As described above in response to Item 10, Haveli BD, an affiliate of Haveli, is a broker-dealer registered with the Securities and Exchange Commission. The securities that Haveli BD places consist primarily of investment fund securities issued by certain Funds.

Haveli BD may, as broker-dealer for certain investors in Funds or other persons, effect transactions in which securities held by a Fund are sold to such investors. This may be the case, for example, where a Fund sells a portion of its investment in a particular portfolio company to certain investors in a Fund, with Haveli BD acting as broker to effect the transaction.

## **Strategic Investors**

Pursuant to certain agreements, which will not be provided to prospective or existing Investors in the Funds, one or more strategic investors (the “Strategic Investors”) may make a strategic investment in Haveli and the Funds. In connection with such investment, Strategic Investors benefit from certain rights that are typical for strategic investors and that are in addition to, and generally more favorable than, the rights of Investors set forth in such Fund’s Organizational Documents.

If a strategic investment is made, the applicable Strategic Investor will not control Haveli or any of its affiliates, will not have any rights or responsibilities with respect to the day-to-day management, compliance or investment operations of Haveli or any of its affiliates, and will not be involved in any investment decisions pertaining to the Funds other than as a member of the advisory committee or as an observer of proceedings of the investment committee. Neither a Strategic Investor nor any of its affiliates will be in privity of contract with the Investors (except as an Investor), nor will they have any responsibility or liability to the Investors or any other Person for any of the Funds’, Haveli’s or any of their respective Affiliates’ compliance or non-compliance with applicable legal, investment, tax, or regulatory requirements or for the performance of the Funds, or any liability to the Investors or any other person for the manner in which they exercise or do not exercise any rights that they may have or otherwise. Due to a strategic investment, a Strategic Investor will have access to information not available to other Investors. A Strategic Investor will have no obligation to disclose any such information to other investors or use such information for the benefit of the Funds.

## **Strategic Service Provider – Co-Investment Rights**

Pursuant to certain agreements, which will not be provided to prospective or existing Investors in the Funds, Haveli has entered into a strategic alliance and support services arrangement with a service provider (the “Service Provider”) under which the Service Provider will provide certain services to Haveli, including investor referral services, and receive payment for such services from Haveli (which, for the avoidance of doubt, will not constitute a Fund Expense), and will make investments in certain Funds. Pursuant to the terms of the agreements with the Service Provider, the Service Provider will have co-investment rights in priority to other Investors in the Funds (second only to the Strategic Investor, who will have first priority to co-investment opportunities) to the extent that it co-underwrites the relevant investments, and will otherwise have the right to invest in any co-investments on a pro rata basis with other Investors, in both cases which co-investment opportunities the Service Provider may offer or syndicate to its clients. The Service Provider will not be required to pay any management fee or incentive allocation on any co-investment, other than pro rata co-investments on the same terms as other Investors. In addition, certain personnel of the Service Provider will be offered the opportunity to invest in the Funds. As part of the arrangement, Haveli is anticipated to receive economic benefit, including receipt of a

percentage of fees, from certain debt financing, syndication through sidecar vehicles and/or syndication of co-investment opportunities, in each case arranged by the Service Provider in respect of certain Funds, which could present a conflict of interest between Haveli and the Funds in certain instances as Haveli will have an incentive to cause the Funds to enter into certain transactions and borrowings with the Strategic Service Provider from which Haveli derives additional income. Such economic benefit will in most cases be received by Haveli BD.

### **Other Potential Conflicts**

The Organizational Documents of a Fund establish complex arrangements among the Funds, Haveli, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Organizational Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While Haveli will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

Haveli and its personnel may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points" or credit in loyalty/status programs to Haveli and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit Haveli and/or such personnel even though the cost of the underlying service is being borne by the Funds, their investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for an Haveli personnel travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such Haveli personnel to the extent the trip also serves a personal purpose.

Haveli may, in its discretion, have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Haveli. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Haveli and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Haveli may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

In addition, from time to time, Haveli recruits a management team to pursue a new "platform" opportunity expected to lead to the formation of a future portfolio company, or to undertake a "build-up strategy" to acquire and develop assets in a particular sector or involving a particular strategy. In other instances, a new platform could be formed to recruit an existing or newly formed management team to build such platform through acquisitions and organic growth. In certain circumstances, such platform employees may include former employees of Haveli, or current or former senior advisors or consultants to Haveli and its affiliates. The structure of each platform and the engagement of personnel will vary, including whether a management team's services are exclusive to the platform and whether the members of the management team are employed

directly by the platform or indirectly through a separate management company established to manage such platform. Platform structures may change during the investments' hold period, for instance, in connection with restructurings or dispositions. The management team of a platform investment may provide services with respect to other platform investments of more than one Fund, or provide the same or similar services for unaffiliated parties. The services provided by the platform management team could be similar to, and in some cases overlap with, the services provided by Haveli to the Funds. The Funds will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, management or other fees, employee compensation (including cash compensation and profits-interest), diligence expenses or other related expenses in connection with backing the management team or the build out of the platform company. Such expenses may be borne directly by the applicable Fund as Fund expenses or indirectly as the Fund bears the start-up and ongoing expenses of the newly-formed platform portfolio company. Such costs and expenses will not offset the Management Fee and are in addition to Management Fees and other compensation (e.g., Carried Interest) received by Haveli.

Haveli may, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, Haveli and/or employees and their respective agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Haveli that cover one or more Funds and/or Haveli (including employees and their respective agents, representatives, members of the advisory committee and other indemnified parties). Haveli will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among one or more Funds, and/or Haveli on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Haveli may, from time to time, require, cause or invite the Funds and/or a portfolio company to make contributions to charitable initiatives, or other non-profit organizations that Haveli believes could, directly or indirectly, enhance the value of the Funds' investments, assist in completing an acquisition of a portfolio company or other transaction (whether or not documented at the time of such acquisition or transaction) or otherwise serve a business purpose for, or be beneficial to, the Funds or their portfolio company. Such contributions could be designed to benefit employees of a portfolio company, the community in which a portfolio company operates or a charitable cause essential to, or consistent with, the business purpose of a portfolio company. In certain instances, such charitable initiatives could be sponsored by, affiliated with or related to current or former employees of Haveli, portfolio company management teams, advisors, service providers, vendors, joint venture partners, and/or other persons or organizations associated with Haveli, the Funds or the portfolio companies. These relationships could influence Haveli's decision whether to require, cause or invite the Funds or the portfolio companies to make charitable contributions. Further, from time to time, such charitable contributions by the Funds or the portfolio companies could supplement or replace charitable contributions that Haveli would have otherwise made. Also, in certain instances, Haveli may, from time to time, select a service provider or other counterparty to the Funds or their investments based, in part, on the charitable initiatives of such person where Haveli believes such charitable initiatives could, directly or indirectly, enhance the value of the Funds' investments or otherwise be beneficial to the portfolio companies.



A Fund may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, Haveli or its related persons. In such a case, investors in such Fund will bear not only the direct Management Fees and other expenses associated with their investment in the Fund, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to Haveli or its related persons. Additionally, the interests of the Fund, as an investor, may conflict with the interests of the underlying pooled investment vehicle or Haveli or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for Haveli.

Haveli may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time, Haveli may serve as advisor to creditor or equity committees. This involvement, for which Haveli will often be compensated, will limit or preclude the flexibility that the Funds would otherwise have to make investments.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

The Organizational Documents of certain Funds permit each such Fund's general partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information will typically be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The general partner will often elect to withhold certain information to such limited partners for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which Haveli and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

### **Providers of Operations Support**

Haveli, the Funds and/or the portfolio companies will from time to time retain companies and individuals ("Operations Support Providers"), which may include employees and former employees of Haveli, affiliates of Haveli, employees of such affiliates, portfolio companies of the Funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals), "operating partners" or "senior advisors".

The Operations Support Providers are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the Funds, or in connection with, one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies and from time to time also provide "front office" functions with respect to a Fund, such as sourcing or other investment-related functions (such services collectively, "Operations Support Services"). These services may be high level insight or extensive day-to-day roles, and may include support to a General Partner on behalf of the Funds, or portfolio companies regarding, among other things, the company's management (including serving in management positions or

participating in determining corporate strategy), the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. It is expected that the services provided by the Operations Support Providers will expand over time.

The nature of the relationship with each such Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. Certain Operations Support Providers may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal, and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. In certain cases, Operations Support Providers are Haveli employees, and in certain other cases, Operations Support Providers have attributes of Haveli personnel (for instance, they may have dedicated office space, receive Haveli administrative support services, participate in general meetings or events for Haveli personnel, have Haveli e-mail address or business cards), even though they are not employees, affiliates or personnel of Haveli. Operations Support Providers may be offered the ability (or may have a preferred right) to co-invest alongside Funds or may be offered the opportunity directly by the portfolio company to invest in the company, including in investments in which such Operations Support Provider is involved or participates in the management thereof.

Pursuant to the Organizational Documents of the Funds, fees, compensation, expenses and any attributable overhead associated with Operations Support Services (collectively, "Operations Expenses") are paid and/or reimbursed by Haveli, portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operations Support Provider that is an affiliate or employee of Haveli or its affiliates) may be determined at the discretion of a General Partner taking into account the particular Operations Support Services, may include reimbursement of an allocable portion of an affiliated Operations Support Provider's compensation (including, without limitation, salary, bonus, payroll taxes and benefits (including vacation time and sick leave)) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation (e.g., Carried Interest) to the Operations Support Provider, and may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the General Partner, in its sole discretion but will generally be based on whether third parties typically provide such services to investment advisers or companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event an Operations Support Provider is paid an annual retainer, the value provided to the relevant Fund and/or portfolio company by such Operations Support Provider may vary year to year and there can be no assurance that the annual retainer paid will commensurate with the value provided by the Operations Support Provider. In addition, an Operations Support Provider's benefits described herein (including, for the avoidance of doubt, compensation arrangements) will, in certain circumstances, continue after termination of status as an Operations Support Provider. Operations Support Providers will, from time to time, be offered the ability to invest in a Fund or

in a particular investment as a co-investor on preferred economic terms (including on a no-fee/no-carry basis).

To the extent services are provided for the benefit of a Fund, without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by the Funds and, indirectly, the investors in such Fund. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by a General Partner or Haveli, consistent with the Organizational Documents of the applicable Funds and as described above (see “*Allocation of Expenses*”). With the exception of Operations Expenses payable to any Operations Support Provider that is a Haveli employee by the Funds or a portfolio company, such Operations Expenses will be retained by such Operations Support Provider and will not reduce the Management Fee or any other fees otherwise payable to Haveli or its affiliates and will not benefit the Funds or their investors, even if the Operations Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by Haveli. The determination of whether an Operations Expense is paid by a portfolio company, a Fund, or Haveli will be made by Haveli in its sole discretion. The General Partner’s determination as to whether a service is an Operations Support Service, whether an Operations Support Provider is or is not a Haveli employee and the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Funds and their investors. Over time, certain employees of Haveli (including senior personnel) may transition to be former employees an Operations Support Provider role, which will shift the burden of compensating such persons from Haveli to the applicable Fund and/or its portfolio companies and any fees received by such persons will not reduce the Management Fee. It may be difficult to distinguish services provided by the Operations Support Providers from the investment advisory services provided to the Funds by Haveli and its affiliates.

## **Joint Ventures**

The Funds may make some of their investments through joint venture partners. Such investments may involve risks not present in investments where a third party is not involved, including, for example, the possibility that a joint venture partner may have financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Funds or may be in a position to take (or block) actions in a manner inconsistent with the Funds’ objectives. In addition, the Funds may be subject to liabilities in certain circumstances for the actions of joint venture partner with which it is associated (including liabilities for environmental acts or omissions of their joint venture partner). The Funds may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments, although as a condition of investment, Haveli expects that appropriate rights will generally be sought to protect the Funds’ interests. The Funds’ inability to exercise significant influence over the operations, strategies and policies of such companies means that decisions could be made that could adversely affect the Funds’ results and their ability to generate cash and pay distributions to Investors.

If the Funds were to acquire investments having other third party investors, the related investment documentation could include rights of first refusal or preemptive rights that are triggered upon sale or attempted sale. These rights protect incumbent investors’ interests and give investors the option of acquiring additional equity in priority to third parties. However, such rights may also dissuade potential third-party acquirers due to the uncertainty surrounding the outcome of any divestment process.

## **Business with and Among Portfolio Companies and Investors and Prospective Investors**

Given the collaborative nature of Haveli's business and the portfolio companies in which the Funds have invested, there are often situations where Haveli is in the position of recommending the services of a portfolio company to other portfolio companies of the Funds, which may involve fees, commissions, servicing payments and/or discounts to Haveli, an affiliate, or a portfolio company. Haveli will generally have a conflict of interest in making such recommendations, in that Haveli has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

Portfolio companies controlled by a Fund may provide services to Haveli, certain Fund investors or prospective investors. This creates a conflict of interest, as Haveli has an incentive to cause the portfolio company to favor itself, or those investors or prospective investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Funds. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

Current and former officers and executives of portfolio companies may also invest in a Fund. While Haveli believes this aligns portfolio company management teams with the best interests of the Funds, Haveli may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor.

In certain instances, a Fund's portfolio company competes with, is a customer of, or is a service provider to, another Fund's portfolio company. In providing advice to a portfolio company's business, Haveli may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by Haveli to a portfolio company may have adverse consequences to a separate portfolio company owned by another Fund. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company.

From time to time a Fund's portfolio company will be counterparties or participants in agreements, transactions or other arrangements with other portfolio companies of such Fund or other Funds. These agreements, transactions and other arrangements will involve payment of fees and other amounts, none of which will result in any offset to the Management Fee. Such agreements, transactions and other arrangements will generally be entered into without the consent or direct involvement of the Funds and/or Haveli or the consent of any advisory committee.

In addition, certain portfolio companies controlled by a Fund may engage in activities that could adversely affect another Fund and/or its portfolio company, including, for instance, as a result of

laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio company being used to satisfy the obligations or liabilities of another Fund or its portfolio company.

Haveli and/or its affiliates may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Funds' investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Funds).

In addition, Haveli may cause a Fund to transact with a portfolio company or the Fund or another Fund, including purchasing an asset from, or selling an asset to, a portfolio company. This creates a conflict of interest as the interests of the purchasing or selling Fund differ from those of the counterparty portfolio company.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by Haveli that, although Haveli determines to be consistent with the requirements of such Funds' Organizational Documents, may not have otherwise been entered into but for the affiliation with Haveli, and which may provide economic or other benefits to affiliates of Haveli that are not subject to the Management Fee offset provisions described herein. For example, Haveli may in the future cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to Haveli, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While Haveli may have a conflict of interest because its economic benefit may incentivize Haveli to maintain such arrangements, Haveli believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and Haveli's benefits from such arrangements are reduced because Haveli only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with Haveli will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies. Haveli and its affiliates may, from time to time, hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio company, former portfolio company, investment target, or service provider. Although Haveli uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee Haveli can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest (including, for instance, preferential hiring practices).

While less common, from time to time a Fund could hold an investment in a different layer of the capital structure than an investor or another party with which Haveli has a material relationship, in which case Haveli could have an incentive to cause the Funds or the portfolio company to offer more favorable terms to such parties (including, for instance, financing arrangements).

## Service Providers

Services required by a Fund (including some services historically provided by Haveli or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of Haveli or its affiliates. This can create a conflict of interest because Haveli and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Haveli personnel. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, trading, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by Haveli to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and Haveli has no obligation to inform such Funds or investors of such a change. Such services may also supplement or be performed alongside services performed by Haveli. In addition, certain internal service providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Funds.

If a service provider provides services to a Fund on the property of Haveli, such Fund may also be responsible for any overhead, rent or other fees, costs and expenses charged by Haveli in connection with an on-site arrangement.

Haveli and/or its affiliates may engage certain service providers to provide services to Haveli, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers or their affiliates are, in certain circumstances, investors in a Fund or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel pension consultants and/or other investors who provide services (including mezzanine and/or other lending arrangements). The engagement of any such service provider may be concurrent with an investor’s admission to a Fund, or during the term of such investor’s investment in the Funds. This creates a conflict of interest, as Haveli may give such investor preferred economics or other terms with respect to its investment in a Fund, enhanced information or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor. In addition, Haveli will have a conflict of interest in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide Haveli information about markets and industries in which Haveli operates, will provide other services that are beneficial to Haveli and/or will provide financial sponsorship of events held by Haveli (such as transaction closing dinners or outings, or informational summits or training events for Haveli or portfolio company personnel). Haveli generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Haveli generally may in its discretion, contract directly with, or recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with, a related person of Haveli or an affiliate (including but not limited to a portfolio company of a Fund). When making such a recommendation, Haveli, because of its

financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, former employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to Haveli, the Funds and/or portfolio companies. While employed by Haveli, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by Haveli unless a Fund's Organizational Documents permit certain allocations of internal expenses to the Fund. If a former employee becomes an employee or consultant of a third party that also provides services to a Fund, such former employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former employee working on the Fund will be borne entirely by the Fund and no such amounts will reduce the management fee paid or the carried interest distributed by such Fund on the basis that such person used to be a former employee.

Additionally, Haveli personnel, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Haveli in determining whether to select, or recommend such service provider to perform services for a Fund or a portfolio company. Although Haveli selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant Fund(s)), there is a possibility that Haveli, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain other service providers to Haveli, the Funds and/or the portfolio companies, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationships with Haveli, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source investment opportunities, be co-investors or commercial counterparties or entities in which Haveli and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit Haveli and/or such Fund.

The Funds may, from time to time in the future pay a fee to an investment bank with respect to a particular transaction which fee may, in whole or in part, reflect a payment to the investment bank for finding deals for Haveli and the Funds in the future. As a result, the Fund paying the fee to the investment bank may not receive the benefit of the future deals sourced by the investment bank and the other Fund to which a deal is allocated will not be required to reimburse the paying Fund for such fee.

Investors may be introduced to Haveli, or may be brought in a Fund, by a third-party consultant from which Haveli or a related person purchases products and to which Haveli or a related person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

Haveli, its personnel, the Funds and the portfolio companies of the Funds will, from time to time, engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to Haveli, its personnel, the Funds, and/or the portfolio companies. As a result, Haveli or its personnel from time to time receives a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or from time to time receives a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no,

discount. This creates a conflict of interest between Haveli and its personnel, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Haveli will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or discount provided to Haveli, its personnel or its affiliates, and the Management Fee paid by any Fund will not be reduced in connection with such favorable rate or discount.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by Haveli or its affiliates differ from those required by the Funds and/or their portfolio companies, Haveli and its affiliates will pay different rates and fees than those paid by the Funds and/or their portfolio companies.

Haveli or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider may in the future be seconded to Haveli or its affiliates on a temporary basis or serve in an internship capacity, pursuant to various arrangements including at cost or at no cost. Haveli is, from time to time, a beneficiary of these arrangements as well. Such personnel provide services in respect of multiple matters, including in respect of matters related to Haveli, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in Haveli's discretion taking into consideration the usage of such personnel. The Management Fee will not be offset or reduced as a result of these arrangements or any fees, expense reimbursements or other costs related thereto. In such circumstances, a conflict of interest exists because Haveli or its affiliates have an incentive to select one service provider over another on the basis that Haveli or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not Haveli or its affiliates.

Haveli and the Funds will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest (e.g., cross transactions and other affiliated transactions). Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Haveli and/or its affiliates, the parties may engage separate counsel in the sole discretion of Haveli and its affiliates, and in litigation and other circumstances separate representation may be required.

Haveli from time to time expects to cause the Funds to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for their pro rata portion of the cost of any such service provider.

The Funds may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company ("Holding Company") would be created that would acquire and manage the companies in the platform. The investments in the Holding Company may be



managed together (including, for example, the use of common service providers, combined and/or otherwise sold together as part of a single transaction or series of related transactions). The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former employees of Haveli, or current or former senior advisors or consultants to Haveli and its affiliates. All of the Holding Company's costs and expenses, initial or ongoing and for any purpose, (including compensation for its personnel, which compensation may include, among other things, salary, benefits, retainers and the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets), overhead expenses (including, without limitation, rent, property taxes and utilities allocable to the workspaces) and all expenses related to sourcing would be borne by the Holding Company (and, therefore, indirectly borne by the Funds). Such costs and expenses will not offset the Management Fee and are in addition to Management Fees and other compensation (e.g., Carried Interest) received by Haveli. In addition, as Haveli earns Management Fees and Carried Interest from the Funds, Haveli will benefit from the assets, income and gains of Holding Company.

Haveli may, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable General Partner, Haveli and/or Haveli personnel and their respective agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Haveli that cover one or more Funds and/or Haveli (including Haveli personnel and their respective agents, representatives, members of the advisory committee and other indemnified parties). Haveli will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among one or more Funds, and/or Haveli on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

### **Defaulting Investors**

Haveli or a General Partner may face conflicts of interest in pursuing remedies against a defaulting investor. Some of the remedies allow Haveli to cause the sale of the interest held by a defaulting investor to a third-party, or an affiliate of Haveli or in a transaction in which Haveli is acting as agent. Such remedies may benefit Haveli and their affiliates to the exclusion of the Funds or the non-defaulting investors.

### **Investment Valuation and Realization**

The existence of performance-based compensation and varying levels and calculations of Management Fees creates a conflict of interest in valuing investments and there will be situations in which a General Partner is incentivized to influence or adjust the valuation of the Funds' assets. For example, a General Partner is incentivized to: (i) employ valuation methodologies that improve the Funds' track record; (ii) defer recognizing losses from investments that have experienced a permanent impairment that must be returned prior to an affiliate (i.e., the General Partner) receiving a Carried Interest; or (iii) employ valuation methodologies that give rise to a higher valuation in order to increase fees, such as in the case of a Management Fee that is calculated based on adjusted cost or as a percentage of the value of the Funds' assets.

## **ITEM 12: BROKERAGE PRACTICES**

As Funds invest primarily in private equity ventures, Haveli anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, Haveli has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

In determining the broker-dealers through which to initiate securities transactions for Funds, it is Haveli's policy to obtain "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and researched services (as discussed below). "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

In selecting a broker-dealer, Haveli reserves the right to consider various relevant factors, although no one factor is determinative in the decision-making process, they include, but are not limited to, best price; current market conditions; time constraints; liquidity; volatility in the markets; volatility in the particular type of security or asset; size and type of transaction; the nature and character of the market for the security or asset in the transaction; confidentiality; execution efficiency; settlement capabilities; financial condition of the broker-dealer; full range and quality of the broker-dealer's services; the responsiveness, reputation, reliability, and experience of the broker-dealer; the reasonableness of any commissions or spreads, difficulty of execution, ability and willingness to commit capital to the transaction; past effectiveness in executing illiquid or difficult types of securities or assets or difficult types of orders; and the value of brokerage and research services provided. Accordingly, the transactions will not always be executed at the lowest available price or commission. In addition, Haveli may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, Haveli generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

Haveli does not receive "soft dollars" in connection with its use of broker-dealers.

### **Aggregation of Trades**

Haveli and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Haveli often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. Haveli and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, Haveli and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction. If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon Haveli's procedures for allocation of investment opportunities, as described in Item 11 above.

In order to monitor best execution, Haveli's Chief Compliance Officer will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of Haveli and a Fund.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, relatively illiquid and long-term in nature, and accordingly Haveli's review of them is not directed toward a short-term decision to dispose of securities. However, Haveli closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes senior level investment professional of Haveli.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund, as well as quarterly performance reports within 30 days after each fiscal quarter end. Haveli and the applicable General Partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Except as otherwise described herein, Haveli does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Haveli has in the past, and may from time to time in the future, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Advisory Fees received by the Adviser are generally reduced by the amount of such fees paid by the Fund. Please see "Strategic Service Provider – Co-Investment Rights" in Item 11 for more information.

## **ITEM 15: CUSTODY**

Item 15 is not applicable to Haveli.

## **ITEM 16: INVESTMENT DISCRETION**

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the Investors in the Funds. Haveli, subject to the investment policies, objectives, and limitations set out in the Organizational Documents of the Funds, has full discretionary authority over the investments made on behalf of the Funds. This discretionary authority includes the ability to select the type, amount, and price of the investments bought and sold on behalf of the Funds, including the selection of, and commissions paid to, broker-dealers, and to investment bankers and other professionals.

## ITEM 17: VOTING CLIENT SECURITIES

As required by Rule 206(4)-6 under the Advisers Act, Haveli has adopted and implemented written policies and procedures for voting proxies with respect to securities owned by the Funds for which Haveli exercises voting authority and discretion.

It is Haveli's general policy to vote or give consent on all matters presented to security holders in any vote. However, Haveli reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of Haveli's Chief Compliance Officer (the "CCO") and General Counsel, or the relevant Haveli investment professional, the costs associated with voting such vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds. Funds generally cannot direct Haveli's vote.

All voting decisions initially are referred to the Chief Executive Officer/Chief Investment Officer (the "CEO/CIO") and Chief Operating Officer (the "COO") for appropriate investment professional for a voting decision. In most cases, Haveli's CEO/CIO and COO will make the decision as to the appropriate vote for any particular vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. The CEO/CIO and COO will inform the CCO and General Counsel of any such voting decision, and if neither the CCO nor the General Counsel objects to such decision as a result of his or her conflict of interest review, the vote will be voted in such manner. The CEO/CIO and COO, on one hand, and the CCO or General Counsel, on the other hand, will review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

Haveli's CCO has the responsibility to monitor votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by Haveli's CCO in accordance with these policies and procedures, which will include consideration of whether Haveli or any investment professional or other person recommending how to vote has an interest in how the vote is voted that may present a conflict of interest. In addition, all Haveli investment professionals are expected to perform their tasks relating to the voting of votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. Haveli's CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where Haveli's CCO deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts or to otherwise assist Haveli in fulfilling all or part of its voting obligations. In this regard, Haveli can retain independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to which voting and/or consent powers may be delegated in accordance with its proxy voting policies and procedures.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Haveli Compliance at [Compliance@Havelii.com](mailto:Compliance@Havelii.com).

## **ITEM 18: FINANCIAL INFORMATION**

Haveli has no events requiring disclosure under this Item of the brochure.

Haveli does not require or solicit prepayment of Management Fees six months or more in advance.